

U.S. Environmental Protection Agency, Region 10



Clean Water

State Revolving Fund

Washington Program Evaluation Report and ARRA Semi-Annual Review

State Fiscal Year 2009

April 2011





**UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
REGION 10**

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OFFICE OF
WATER AND WATERSHEDS

APR 06 2011

Mr. Kelly Susewind, Manager
Water Quality Program
Washington Department of Ecology
P.O. Box 47600
Olympia, Washington 98504-7600

RE: Washington Water Pollution Control Revolving Fund Program Evaluation Report for
SFY 2009, Base Program and American Recovery and Reinvestment Act

Dear Mr. Susewind:

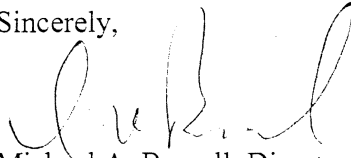
The U.S. Environmental Protection Agency Region 10 (EPA) has evaluated the Washington Department of Ecology's administration of the Washington Water Pollution Control Revolving Fund for state fiscal year 2009. EPA reviewed Ecology's implementation of both the base program and the American Recovery and Reinvestment Act (ARRA) requirements. Enclosed is the Program Evaluation Report (PER), which documents Ecology's continuing excellence at operating this state revolving fund. Ecology instituted some notable changes in 2009, including a sliding-scale interest rate for loans to hardship communities, and ARRA provisions such as Green Project Reserve, additional subsidization, and Davis-Bacon.

This PER identifies some items for follow up. Ecology needs to update its State Environmental Review Process (SERP). EPA recognizes that the SERP effort was sidetracked by priority work related to ARRA; given this circumstance, EPA expects the update by June 30, 2011. Also, Ecology has been submitting its annual reports at least one quarter after other states. To ensure more timely feedback and technical assistance, EPA recommends and Ecology has agreed to submit annual reports to EPA by September 30 each year. The PER also requires or recommends administrative corrections such as amending contracts to ensure compliance with Davis-Bacon and Disadvantaged Business Enterprises, and providing documentation for environmental review, Green Project Reserve, Endangered Species Act, or Buy American for several project files.

We greatly appreciate the cooperation of Financial Management manager Steve Carley, unit supervisor Jeff Nejedly, and Water Quality Program staff. Their assistance, insight and knowledge were invaluable to our evaluation.

If you have any questions, please call me at (206) 553-4198 or contact David Carcia, our Project Officer for the Washington Water Pollution Control Revolving Fund, at (206) 553-0890 or carcia.david@epa.gov.

Sincerely,



Michael A. Bussell, Director
Office of Water and Watersheds

Enclosure

cc: Mr. Steve Carley, Manager
Financial Management Section, Ecology

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Executive Summary

This report presents the Environmental Protection Agency (EPA) program evaluation of the Washington Clean Water State Revolving Fund (CWSRF) for State Fiscal Year (SFY) 2009, administered by the Washington Department of Ecology (Ecology). In addition to reviewing the base program, EPA concurrently conducted its semi-annual review of the Ecology's administration of American Recovery and Reinvestment Act (ARRA) funds appropriated on February 11, 2009. EPA followed the *Annual Review Guidance for the State Revolving Fund Programs (Interim Final)* published by the EPA's Office of Water in March 2004 to prepare and conduct this year's assessment. EPA is publishing this Program Evaluation Report (PER) later than planned because the American Recovery and Reinvestment Act (ARRA) disrupted the CWSRF schedule by substantially increasing EPA and Ecology workload. EPA is taking action to ensure more timely publication of future PERs.

For SFY2009, EPA gathered information from the following sources:

- The Operating Agreement between the EPA and Ecology governing the administration of Washington's Water Pollution Control Revolving Account
- The grant agreements associated with each of the open EPA capitalization grants to Ecology
- The Intended Use Plan (IUP) for the Washington Water Pollution Control Revolving Account for SFY 2009 and a combined 2009/2010 IUP that Ecology prepared to incorporate ARRA demand for funds
- Records of financial transactions maintained by the EPA and Ecology
- An audit report for SFY 2009 for the Washington Water Pollution Control Revolving Fund completed by the Washington State Auditor
- The annual report submitted by Ecology for SFY 2009
- Project files maintained by Ecology
- On-site review March 8, 2010 through March 10, 2010

This year, EPA reviewed two project files and two cash draw transactions for the base program as well as four project files and four cash draw transactions for ARRA. While program evaluations occur during a relatively focused timeframe, they are also informed by discussions with Ecology staff all year long. In addition to discussions with Ecology's management and program staff throughout SFY 2009, EPA also attended Ecology's quarterly Water Quality Financial Assistance Advisory

Council meetings, which continue to provide a productive forum for programmatic issues.

After completing its evaluation analysis, EPA determined that certain actions are required. For the base program, Ecology needs to confirm compliance for one project to receive cross cutter credit, complete its SERP update by the end of SFY2010, and confirm debarred and suspended compliance for two projects. For several ARRA projects, Ecology is required to ensure contracts are amended such that they meet all DBE and Davis-Bacon provisions. Finally, for some of the base program and ARRA projects, Ecology is required to provide documentation and public notice of environmental review.

EPA encourages Ecology to consider several recommended actions. EPA recommends that Ecology maintain SERP and cross cutter staff capacity, add Environmental Justice to its cross cutter checklist, and clearly document GPR eligibility, whether categorical or through a GPR business cases. For ARRA, Ecology should check Buy American documentation for all ARRA projects and consider completing site inspections during the State inspections of ARRA projects. To address timely and expeditious use of funds, EPA recommends that Ecology disburse from the capitalization grant before using other available funds. Finally, EPA requests that Ecology issue its annual report by September 30th every year.

Because of the time that has passed since EPA first discussed preliminary findings with Ecology, Ecology has made progress on many of these required and recommended actions.

Program Highlights

The Washington Department of Ecology (Ecology) funds eligible¹ water quality projects through the administration of the Clean Water State Revolving Fund (Fund). The Fund has always been operated as a direct loan program, which means it has never been leveraged through the issuance of bonds. EPA grants and matching funds from Washington state appropriations capitalize the Fund. Repayments and interest earnings significantly augment the money available each year.

Ecology's integrated funding system can accommodate additional sources of funding such as the State's Centennial Clean Water appropriation and the federal Section 319 nonpoint source grants. This system, unique to Washington State, maximizes the number of projects funded and better leverages the water quality benefits obtained from various financial assistance programs. Additionally, Ecology coordinates its water infrastructure financial assistance with other infrastructure financiers such as the U.S. Department of Agriculture's (USDA) Rural Utilities Service (RUS).

Ecology uses an integrated planning and priority setting system to develop an annual project priority list (offer list), which forms the basis for their Intended Use Plan (IUP). Projects are funded in ranked order based upon rating and ranking criteria. In SFY2009, some communities were slower than anticipated in either accepting or declining funds, but Ecology still was able to sign most assistance agreements within six months.

Since program inception, Ecology has cumulatively received \$533 million in EPA CWSRF capitalization grants and provided \$93 million in state match.² Since the program inception, Ecology has administered \$969 million³ for eligible clean water projects. Cumulatively, close to \$65 million in CWSRF assistance has gone to implement the state's nonpoint source water quality strategy. Of the \$969 million

¹ The three types of eligible projects are publicly owned treatment works, projects that implement the state's nonpoint source plan and projects that either develop or implement Comprehensive Conservation and Management Plans under §320 of the Clean Water Act.

² Clean Water National Information Management System (NIMS); Line 91 for SFY 2008 I Section 319

³ This amount includes loan repayments, interest earned on CWSRF loan balances, and interest earned from CWSRF fund investments.

in total project funding, approximately \$576 million went to either Section 212 or for SFY 2008 Section 319 projects that also protected or enhanced one of Washington's two national estuaries.⁴

During SFY 2009, ARRA added \$68 million to Ecology's CWSRF. All seventeen ARRA projects were signed into loan agreements after SFY 2009 and prior to February 17, 2010, as required. EPA would like to recognize and congratulate Ecology staff and management for their time and effort dedicated to implementing ARRA requirements.

Ecology provided a useful summary of the financial position and activities for the Water Pollution Control Revolving Fund in the Management Discussion and Analysis (MD& A) portion of the annual report. The MD & A discusses a decrease in its cash position by over \$9M from SFY2008 to SFY 2009. This reflects a positive trend for the revolving fund as it indicates that Ecology is utilizing a greater amount of the fund's assets in providing loans.

In SFY2009, loans with a maturity of five years or less were offered at an interest rate of 1.4%, down from 1.5% the previous year, and loans with a maturity of six to twenty years were offered with an interest rate of 2.7%. Washington also continued its practice of reducing the interest rate to as little as 0% for communities that met the Department's economic hardship criteria. In SFY2009, Ecology implemented its new sliding-scale hardship rules. Hardship loan rates can be as low as zero percent if the community sewer user fee is five percent or greater relative to the Median Household Income (MHI). Alternatively, communities might qualify for loan rates on a sliding-scale from 20%, 40%, or 60% of market rates depending on the severity of the community's hardship based on new criteria in state rules.⁵

In SFY2009, three local governments accepted financial hardship base program loans: two at a zero-percent interest rate and one at 1.8 percent, for a total of about \$15.5 million in hardship funding to be repaid over twenty years. While Ecology did not fund ARRA projects in SFY2009, its Final SFY2010 IUP dated June 11, 2009, lists hardship communities as well as GPR projects slated to receive

⁴ All of these data are derived from the Clean Water National Information System data developed and submitted by the Washington Department of Ecology.

⁵ Washington Administrative Code (WAC) 173-98-300

principal forgiveness subsidies of approximately \$39,740,083 (or about 58% of the ARRA grant) in SFY2010.

EPA notes that Ecology has incorporated various efforts to better organize and standardize its projects files, which is expected to enhance CWSRF program documentation, organization, and file access during EPA's annual review process. EPA found the email certification/verification form, used for managing the ARRA projects, to be an effective organizational tool. It also serves as a quality control instrument because it is reviewed by a regional manager, and serves as an effective cross-cutter checklist. The project file for Kittitas Loan #L1000017, coordinated by the Central Regional Office, was particularly well organized and complete.

WA SFY2008 PER Follow Up

SFY2008 Required Action #1: Sign loans for all available SRF funds, including repayments, repayment interest, investment interest, and the annual capitalization grant, within the same fiscal year in which they are presented in the IUP.

Progress: Ecology committed 94% of available funds in SFY2009. EPA recognizes that increased workload, such as reopening of the application cycle to accommodate extra demand under very short ARRA deadlines, contributed to keeping this number under 100%. In our next onsite visit scheduled for April 2011, EPA plans to work with Ecology to find ways to improve this aspect of their program.

SFY2008 Recommended Action #1: Review practices and procedures to ensure that undrawn CWSRF balances are not interfering with expeditious and timely use of committed funds.

Progress: Undrawn balances from the capitalization grants were lower than last year. To ensure continued improvement, EPA is recommending that Ecology disperse funds from the capitalization grants first. For example, in SFY2009, Ecology disbursed \$52,834,696 from the Water Pollution Control Revolving Account, but only \$21,794,397 from the capitalization account. See SFY2009 Recommended Action #1.

SFY2008 Recommended Action #2: Complete an updated SERP for EPA review.

Progress: The retirement of staff that worked on SERP issues contributed to the understandable delay of the updated SERP. Ecology has made some progress on their SERP and plans to complete an EPA-approved SERP update by June 30, 2011. See SFY2009 Required Action #1.

SFY2008 Recommended Action #3: Continue to build additional environmental review and ESA/EFH capacity.

Progress: In SFY2009, an employee retirement impacted environmental review and ESA/EFH capacity. Ecology has backfilled this position.

Required Program Elements

ANNUAL REPORT

The annual report indicates that Ecology generally runs an effective program. For example, the report establishes:

- Section 212 projects were reviewed in accordance with the current SERP;
- State Match, on a cumulative basis, meets the 20 percent requirement;
- Binding Commitments exceed the required 120 percent of cumulative capitalization grants through June 30, 2009; and
- Funds were essentially used in an expeditious and timely manner.

Ecology continues to have challenges in meeting the publication date for the annual report. Ecology met the extended annual report due date of 01/31/2010 granted because of Ecology's ARRA workload and ongoing issues regarding data acquisition. During this year's onsite review, Ecology indicated that their business office does not deliver essential data required for the annual report until later in the state fiscal year. As a result, Ecology sends its annual reports to EPA three to four months later than other CWSRF programs. EPA is encouraged by recent meetings between Ecology's programmatic and financial offices and expects they will result in more timely annual report in SFY2011.

EPA has tried to accommodate a later annual report due date in recent years, but has found that this makes it more difficult to provide meaningful evaluations, feedback, or technical assistance. EPA recognizes that ARRA and staff shortages created significant challenges to issuing a timely annual report as EPA faced similar factors that impacted the development of this PER, thereby delaying EPA's formal SFY2009 feedback. EPA expects to be on track for all PERs, base and ARRA, in the next two months.

EPA recommends Ecology issue its annual report by September 30th every year. See Recommended Action #2.

HARDSHIP CRITERIA AND PERPETUITY

Ecology reports notable progress on hardship criteria and perpetuity. Balancing the hardship assistance with fund perpetuity, Ecology this year implemented modified hardship criteria centered on a sliding-scale subsidy and a higher threshold calculated from median household income. Tested by Ecology last year, the new criteria allow "severe hardship" communities to be offered zero percent loans while

communities with milder hardship still receive very low interest rates. At the same time, the higher initial threshold contributes to fund perpetuity.

Ecology appears to be making progress toward its SFY2016 perpetuity goal. Washington defines perpetuity as "the point at which [the CWSRF] is earning at least fifty percent of the market rate for tax-exempt municipal bonds,"⁶ which means earning 2.36 percent for SFY2009. While the weighted average of loans offered for SFY09 is 2.61 percent, the weighted average interest rate for the entire portfolio is 1.96 percent compared with 1.9 percent last year. During this year's onsite visit, Ecology staff attributes this upward trend to the new hardship rules.

ENVIRONMENTAL REVIEW

All Section 212 projects must undergo environmental review. This requirement also extends to nonpoint source projects (Section 319) and National Estuary projects (Section 320) that also fit the definition of "treatment works" or "construction," in accordance with the 1987 amendments to the Clean Water Act.

For the base program, the project files for Ritzville (Loan # L0900004) and Lake Stevens Sewer District LSSD (Loan # L0900004) contained proper documentation of each project's Determination of Non-Significance (DNS). However, there was no documentation of public notice for the environmental process/DNS determinations. See Required Action #2

For ARRA, the Airway Heights (ARRA Loan # L0900007) project file did not contain a record of the DNS or its public notice. Files for Arlington (ARRA Loan # L1000024), Kittitas (ARRA Loan # L000017), and LOTT Wastewater Alliance (ARRA Loan # 100016) all contained a DNS, but did not include the public notice of the environmental process/DNS determinations. See Required Action #2.

CROSSCUTTING FEDERAL AUTHORITIES

Cross-cutting federal authorities of other federal laws and executive orders apply in federal assistance programs. Cross-cutting authorities apply to all CWSRF projects whose cumulative funding is equal to the federal capitalization grant. These requirements apply to the CWSRF agency as the grant recipient and extend to the projects and activities receiving federal financial assistance. Projects

⁶ Washington Administrative Code (WAC) Chapter 173-98

funded beyond the cumulative amount of the federal capitalization grant are not generally subject to cross-cutting authorities.⁷ However, if the requirements are nevertheless met, they can be banked. All four ARRA projects reviewed complied with the environmental cross-cutters as required. The two base program files reviewed may have met all of the requirements but need additional documentation or they will not be credited as meeting the crosscutters.

The LSSD (Loan # L0900004) project file did not have sufficient documentation to confirm ESA compliance. While the project application indicates that LSSD proposed a *may affect / likely to adversely affect* ESA-listed species, there was no concurrence documentation from the U.S. Fish and Wildlife or National Marine Fisheries services in the project files. Also, the file lacked documentation demonstrating compliance with Essential Fish Habitat (EFH). Unless ESA/EFH compliance for LSSD is documented in Ecology's files, LSSD (Loan # L0900004) project costs cannot be credited toward the cross cutter compliance requirement. See Required Action #3.

The Ritzville (Loan # L0900004) project file indicates that the project met all cross cutters but the file contained no environmental justice documentation. We encourage Ecology to consider how to ensure compliance. One approach would be to add Environmental Justice to the cross-cutter checklist and the ARRA project verification form. See Recommended Action #3.

DISADVANTAGED BUSINESS ENTERPRISES (DBE)

DBE is an outreach and education program that encourages participation by disadvantaged enterprises. DBE updates the Minority and Women-owned businesses (MBE/WBE) requirements. The first base program grant awarded after the new DBE rule went into effect was dated January 20, 2009. Therefore, the new DBE rule applies to all base program loans signed after January 20, 2009 up to an amount equal to each individual base program CWSRF grant awarded. All associated contracts funded by loans subject to DBE likewise need to comply with the new DBE rule. Unlike many other requirements, compliance with the DBE/MBE/WBE laws by projects whose cumulative funding is greater than the amount of the federal capitalization grant is not "bankable."

⁷ All programs, projects, and activities undertaken by the CWSRF program are subject to the federal anti-discrimination laws, including the Civil Rights Act of 1964, Pub. L. No. 88-352 §601, 78 Stat. 252 (codified as amended at 42 U.S.C. §2000d), the Rehabilitation Act of 1973, Pub. L. No. 93-1123, 87 Stat. No. 94-135, §303, 89 Stat. 713, 728 (codified at 42 U.S.C. §6102). Further, these broader anti-discrimination laws apply by their own terms to the entire organization receiving federal financial assistance, not just to the project itself.

Ritzville and Lake Stevens were signed when the previous MBE/WBE rule was in effect and were both found to be in compliance with MBE/WBE.

All ARRA loans are subject to the new DBE as the ARRA grants were awarded after the DBE rule went into effect. Ecology included updated DBE guidance in all ARRA loan agreements. In addition, the Kittitas project included updated DBE guidance and the 6100 series forms in the bid/contract documents. However, the Airway Heights, Arlington, and LOTT Wastewater Alliance projects included older MBE/WBE guidance in the bid documents and did not appear to include the 6100 series forms or the DBE rule Appendix A statement in the contract documents. EPA will continue to provide technical assistance to Ecology staff as they ensure that CWSRF borrowers and contractors are in compliance with the DBE program requirements. See Required Action #4 (a) and 4(b).

DEBARMENT AND SUSPENSION (E.O. 12549)

Ecology is required to ensure that contractors and subcontractors receiving federal funds are not suspended or debarred. Though in the past contractors and subcontractors were able to self-certify, signing and submitting to the loan recipient EPA Form 5700-49, "Certification Regarding Debarment, Suspension, and Other Responsibility Matters, this is no longer the case. It is up to Ecology to decide how to document confirmation of compliance, but one available technique is to print a copy of an Excluded Parties List System search at www.epls.gov and place it in the file.

While the base program and ARRA project files all contained signed 5700-49 forms or comparable documents prohibiting the use of suspended or debarred parties, there was no documentation in the project files that either Ecology or the recipients had independently verified debarment or suspension compliance in accordance with the current grant condition. See Required Action #5.

ARRA Specific Requirements

Green Project Reserve (GPR)

ARRA required Ecology to allocate at least 20 percent of ARRA SRF assistance, or \$13,630,380, for projects that address green infrastructure, water or energy efficiency improvements, or other environmentally innovative activities. Ecology exceeded this requirement by funding eight GPR projects in the categories of green infrastructure, water-efficiency, and energy-efficiency totaling

\$18,262,906 or approximately 27% of their ARRA grant. EPA congratulates Ecology for funding a diverse mix of eligible GPR projects.

Three GPR eligible projects (Airway Heights, Arlington, and LOTT Wastewater Alliance) were reviewed. Documents describing the project and components in the LOTT Wastewater Alliance project file appeared to match the GPR water-efficiency purpose of the project. Documentation describing GPR eligibility was lacking in the Airway Heights and Arlington project files. EPA recommends that Ecology maintain in their files the GPR business cases reviewed by EPA. See Recommended Action #6.

Additional Subsidization Reserve (ASR)

The ASR requires that at least 50% of the state's ARRA SRF assistance be provided in the form of principal forgiveness, negative interest loans, or grants. Ecology provided principal forgiveness in loans totaling \$39,740,083, or about 58%, of the \$68,151,900 ARRA grant. This surpassed the minimum 50 percent that ARRA required. Ecology provided principal forgiveness loans to hardship communities and GPR projects as defined in the Final IUP dated June 11, 2009.

Davis-Bacon

ARRA Section 1606 requires that at least federal prevailing wage rates are paid to construction workers and that Davis-Bacon Act wage rules are applied to all ARRA funded projects. Ecology included Davis-Bacon requirements in the ARRA loan agreements.

Three of the ARRA project files (Airway Heights, Arlington, and LOTT Wastewater Alliance) included bid documents with Davis-Bacon requirements. The fourth ARRA project reviewed, Kittitas, did not. However, the ARRA projects reviewed did not appear to include the specific EPA contract provisions required by EPA's 12/8/09 amendment to the ARRA grant. Subsequent conversations revealed that the attachment with the required terms and conditions was inadvertently excluded from the grant amendment. Therefore, Ecology did not have adequate information to properly implement this requirement.

Ecology did an excellent job creating Davis-Bacon contract provisions. While EPA commends the effort, unfortunately it is still necessary to amend the applicable contracts to comply with the specific language attached to the Davis-Bacon grant amendment. In addition, any contract signed prior to December 8, 2009, when the grant amendment became effective, automatically requires the new Davis-Bacon language. See Required Action #6.

Airway Heights, Kittitas, and LOTT Wastewater included the federal wage rates documentation, but the Arlington project file did not. Ecology needs to document Arlington's compliance with this provision of Davis-Bacon. See Required Action #7.

None of the ARRA project files reviewed contained the loan recipients' written weekly payroll verifications. Ecology staff indicated that certified payroll was typically verified during state inspections; however, written verification documentation, in a format satisfactory to the State, is a requirement of the EPA grant terms and conditions. Ecology needs to ensure projects provide written verification of weekly payrolls. See Required Action #8.

Buy American

ARRA Section 1605 requires U.S. iron, steel and manufactured goods for construction or public facilities improvements, unless EPA grants a waiver. Ecology included Buy American requirements in the ARRA loan agreements. Three projects (Airway Heights, Kittitas, and LOTT Wastewater Alliance) included Buy American provisions in the bid documents. The Arlington project was bid on October 20, 2008 and thus eligible for a national bid solicitation waiver.

In addition to the general contractor certification, the contractor needs to provide adequate documentation to verify U.S. production for every manufactured good or iron and steel product incorporated into the project. At the time of the review, the Kittitas project was too early in the construction to have verification documents available. The Airway Heights and LOTT Wastewater Alliance projects included a mix of adequate verification and insufficient documentation. The EBAA Iron Inc. manufacturing statement in the LOTT Wastewater Alliance file and the Halliday Products Inc. documentation in the Airway Heights file are excellent examples of adequate Buy American verification. However, many of the other verification documents refer to incorrect Buy American regulations (such as "Made in USA"), or only include vague general statements regarding compliance with Buy American; this documentation needs to include meaningful description about the manufacturing process and production plant location. See Required Action #9.

Lack of adequate Buy American documentation in project files is a common finding around the country. We encourage Ecology to proactively check all project files to ensure adequate verification documentation. See Recommended Action #4.

Site Inspections

Ecology typically inspects SRF projects at monthly, bi-monthly, or quarterly intervals as determined by the regional project engineer. One of the four ARRA projects (Airway Heights) included an inspection report. EPA would like to commend Ecology staff for including an excellent photo log in the Airway Heights file that showed various detailed construction photos. The Kittitas and LOTT Wastewater Alliance were not yet under construction; therefore, no inspection reports were yet completed. The Arlington project had begun construction, but the ARRA loan agreement was not completed until late 2009, thus, the State had not yet conducted a review.

Inspection reports should be completed in accordance with State procedures, and should address construction issues/completion. EPA suggests that inspection reports for ARRA projects should also include verification of compliance with Buy American provisions, Davis-Bacon requirements, and GPR eligibility. To ensure consistency and thoroughness for all site inspections, EPA recommends that Ecology staff complete the EPA ARRA Site Inspection Checklist. See Recommended Action #5.

Required Financial Elements

State Matching Capital Contribution / Cash Draw Transaction Testing

Federal capitalization grants provided under the Clean Water State Revolving Fund base program require states to provide an amount equal to 20% of the federal grant in state matching funds. ARRA does not require any matching funds. Cash draw transactions and audited SFY 2009 Financial Statements verify that the Washington program is meeting this requirement. The cumulative amount of appropriated state match funds, \$92,895,625 is reported in the Washington program's annual report, which meets the required 20% for cumulative federal grants through SFY2009 of (excluding ARRA). The required state match is also recorded in the Clean Water National Information System (CWNIMS) report for 2009. During EPA's annual review visit, two cash draw transactions were tested. As part of this testing, EPA verified that correct processes are being followed for depositing state match into the fund in the required proportion. The cash draw transaction testing also confirmed that the Washington program is using federal funds for eligible program expenses.

Annual Report Exhibits and Financial Statements

The SFY 2009 annual report generated by program staff and the Ecology fiscal departments provides exhibits that meet financial reporting requirements and also provide EPA and other readers a quick source of summary level financial information. Of particular note, the Management Discussion and Analysis reports a cash position decrease of over \$9M from SFY2008 to SFY 2009. Ecology's stated goal is to decrease its cash position further as it awards more loans in subsequent years (e.g. in SFY2010). EPA encourages Ecology to pursue this goal. See Recommended Action #1.

Also noted in the SFY2009 annual report is the identification by Ecology staff of an administrative cost charging error (see annual report Executive Summary page 3, second and third paragraphs). Ecology conferred with EPA and agreed to the proper accounting treatment of the questioned cost. Ecology implemented the correcting adjustment to the funds administrative account. EPA confirmed this resolution in a follow up call to Ecology's accounting manager Melanie Lee on Sept 27, 2010. Ecology will provide documentation of the correcting accounting entries to EPA staff during the next review.

SFY2009 financial information indicates that Ecology disbursed \$52,834,696 this year from the Water Pollution Control Revolving Account, but only \$21,794,397 from the capitalization account. This allowed the fund balance to earn a bit over \$1.4million in SFY2009. However, if Ecology had instead disbursed first from the capitalization account instead of the Water Pollution Account, then it could have earned approximately \$3.0 million in interest in SFY09 alone. Increased interest earnings could then be used to fund more water quality projects. See Recommended Action #1.

Financial Statement Audit

EPA appreciates the effort that Ecology expends in having an annual audit of the CWSRF program. The Ecology Fiscal Office requested that the Washington State Auditor's Office to conduct a financial statement audit of the Water Pollution Control Revolving Fund for SFY 2009. The audit report provided a positive, unqualified⁸ opinion about the program's financial statements and found no material weaknesses in the Ecology's internal controls over the CWSRF loan program. The audit report also issued an unqualified opinion, i.e. positive report, on the Agency's compliance applicable to the federal capitalization grants for the CWSRF program. The audit reported "no findings" requiring disclosure under federal program audit guidelines.

The positive audit results confirm that established procedures and policies, and that generally accepted accounting principles (GAAP) are consistently applied. The annual audit report is a solid testimony to the financial integrity of the CWSRF program.

Financial Capability Assessments

During previous annual review discussions, EPA focused on the in-house procedure that Ecology implemented in 2006 - 2007 for conducting financial capability assessments on all loan applicants. For FY2008 and the FY2009 annual reviews, EPA discussed how loan applicants are notified about financial information requirements, how the submitted information is reviewed, and how the assessment process is documented in each loan file. EPA also discussed the challenges of keeping this process efficient and sustainable. Ecology continues to refine and solidify their

⁸ An unqualified opinion is an auditor's judgment that he or she has no reservation as to the fairness of presentation of an entity's financial statements and their conformity with Generally Accepted Accounting Principles (GAAP); also termed *clean opinion*.

procedures for conducting financial capability assessments for all loan applications, including those for GPR projects. Overall the effort has produced a stronger financial basis for managing the large and growing loan portfolio that makes up the Washington Water Pollution Control State Revolving Fund- CWSRF. EPA encourages the program to continue making these financial capability assessments a cornerstone of their loan application process.

Based on the described procedures, EPA believes that the Washington program now has an adequate procedure in place for conducting the appropriate level of financial capability assessments on potential revolving fund borrowers. A key factor for ensuring continued success of the financial capability assessments is Ecology's ability to sustain the level of effort and staff expertise needed to consistently apply the recently implemented procedures.

Financial Indicators

Financial indicators for the Washington Clean Water State Revolving Fund highlight the continued strong performance of the program. The return on federal investment was 210% at the end of SFY 2009, up from 200% the previous year. This indicator measures the success of the Washington program in leveraging the funds provided by federal capitalization grants. The Washington program maintained strong performance in the amount of loans made as a percentage of funds available. During SFY 2009, the WA program generated loans for water quality projects at 94% of funds available. Also noteworthy is the estimated interest rate subsidy the program provided during SFY 2009. Compared to market rates, Washington SRF loan recipients received an interest rate subsidy of approximately 48%. Please refer to the chart below for a comparison of recent fiscal year performance according to financial indicators by which state CWSRF programs are evaluated.

Description	WA State SFY 2008	WA State SFY 2009	Regional Average ⁹ for FY2009	National Average ¹⁰ for FY2009
# 1- Return on Federal Investment - Shows the amount invested in water quality beneficial projects for each federal dollar invested	200%	210%	187%	178%
# 2-Percentage of Closed (executed) Loans to Funds Available For Loans - Shows the amount of signed loan agreements compared to the amount of funds available for loans	99%	94%	98%	93%
# 3-Percentage of Funds Disbursed to Closed Loans - Shows the amount of funds actually disbursed compared to the amount of signed loan agreements	87%	90%	81%	85%
# 4-Benefits of Leveraging - (generating additional SRF funds by issuing bonds)	N/A	N/A	N/A	N/A
5-Perpetuity of Fund - Demonstrates whether the program is maintaining its contributed capital. A positive result indicates the Program is maintaining its capital base	\$128,606,954	\$137,827,704	N/A	N/A
# 6-Estimated Subsidy - An estimate of the CWSRF interest rate subsidy, stated as a percentage of the market rate. (Market rate for 2009 was 5.0 %)	58.6%	48%	55%	54%

⁹ Regional Average includes data for Alaska, Idaho, Oregon, and Washington. Data is from the Clean Water National Information Management System, CWNIMS.

¹⁰ National Average is for states that have not leveraged, except for Indicator #6 which averages all states. Data is from the Clean Water National Information Management System, CWNIMS.

Required Actions

Required Action #1: Complete an updated SERP for EPA review by June 30, 2011.

Required Action #2: Ensure that the following projects files contain an environmental determination and any associated public notices: Arlington (ARRA Loan # L1000024), Kittitas (ARRA Loan # L000017), Airway Heights (ARRA Loan # L0900007), LOTT Wastewater Alliance (ARRA Loan # 100016), Ritzville (Loan # L0900004), and LSSD (Loan # L0900004).

In general, Ecology should ensure all ARRA and base program projects with Section 212 components have documentation of: 1) the loan recipient's environmental determination, 2) the public notice of the environmental process/determination, and 3) Ecology's environmental review checklist/memo.

Required Action #3: Confirm that LSSD (Loan # L0900004) is in compliance with ESA and EFH. Unless ESA/EFH compliance is confirmed, LSSD project costs cannot be credited toward cross-cutter compliance requirements.

Required Action #4(a): Ensure that contracts for the following projects are amended to include the Appendix-A DBE statement and other DBE-related clauses: Arlington (ARRA Loan # L1000024), Kittitas (ARRA Loan # L000017), Airway Heights (ARRA Loan # L0900007), and LOTT Wastewater Alliance (ARRA Loan # 100016)

Required Action #4(b): Ensure that the following projects project files contain completed DBE 6100 series forms if they were competitively bid: Arlington (ARRA Loan # L1000024), Kittitas (ARRA Loan # L000017), Airway Heights (ARRA Loan # L0900007), and LOTT Wastewater Alliance (ARRA Loan # 100016)

Required Action #5: Confirm that contractors and subcontractors were not debarred or suspended for Ritzville (Loan # L0900003), LSSD (Loan # L0900004), and all ARRA loans. Documentation of this confirmation needs to be maintained in Ecology's files.

Required Action #6: Ensure that contracts for the following projects are amended to include the Davis-Bacon contract provisions from the EPA ARRA grant (96091001-1; 2W - ARRA) Clean Water State Revolving Fund terms and conditions: Arlington (ARRA Loan # L1000024), Kittitas (ARRA

Loan # L000017), Airway Heights (ARRA Loan # L0900007), and LOTT Wastewater Alliance (ARRA Loan # 100016)

Required Action #7: Ensure that Arlington (Loan # L1000024) includes federal wage determinations in the bid/contract documents.

Required Action #8: Ensure loan recipients provide written documentation indicating verification of weekly payrolls, in a format satisfactory to the State, in accordance with the requirement of the EPA grant terms and conditions.

Required Action #9: Ensure that adequate Buy American verification is submitted to the assistance recipients for Airway Heights (Loan # L0900007) and LOTT Wastewater Alliance (ARRA Loan # 100016).

Recommended Actions

Recommended Action #1: Disburse funds from federal capitalization grants prior to using other sources of funds.

Recommended Action #2: Send the annual report to EPA by September 30th every year. Ecology's CWSRF programmatic and fiscal office staff have already begun to collaborate to ensure this timely report delivery.

Recommended Action #3: Add Environmental Justice (EJ) to cross-cutter checklist and the ARRA project verification form.

Recommended Action #4: Check all ARRA loans for adequate Buy American verification documentation.

Recommended Action #5: Ecology staff should complete the EPA ARRA Site Inspection Checklist to ensure inspection consistency.

Recommended Action #6: For designated GPR projects or GPR project components, confirm GPR eligibility, whether categorical or through a GPR business case. Documentation of this GPR eligibility should be maintained in Ecology's files.

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Base Program Annual Review Checklists

ANNUAL REVIEW PROGRAMMATIC AND FINANCIAL CHECKLISTS	A-01
FILE REVIEW #1: LAKE STEVENS (LOAN # L0900004)	A-13
FILE REVIEW #2: RITZVILLE (LOAN # L0900003)	A-27

Use of these Checklists

The checklists that follow are designed to provide a convenient method for ensuring that the annual review has addressed all of the major review elements. The checklists are organized by topic for easy reference and do not represent a suggested order for conducting the review. For example, project file reviews may touch on many different annual review topics and the checklists provide a mechanism to quickly locate the topic and record the findings while moving from one topic to another. Once the review is completed, all of the topics must either be specifically addressed or noted as not being covered during this review. If an area was not reviewed, note the reason for not reviewing it and any future review activities.

For the items that are reviewed, the requested information on the checklist must be completed noting your findings. Make sure to check all data sources that were used in determining the findings. Pertinent attachments should be added to the checklists and referred to as is appropriate. The checklists must be used as your work papers for the overall evaluation and a reference document in the future to prepare for the next annual review.

It should be noted that the checklist topics are references and are not intended to be comprehensive statements of each program item. Other supporting documents, such as the Annual Review Guidance, program documents provided in the SRF Document Library, the SRF Audit Compliance Supplement, the EPA SRF Financial Planning Model, and many other SRF related information and tools should be utilized to delve in depth into specific review topics.

Print Information Sheet

SRF Annual Review Information Sheet

State Under Review: _____ Washington
DW or CW Program? _____ CW

For SRF Fiscal Year Beginning: 07/01/2008 Ending: 06/30/2009

Annual / Biennial Report Received: 1/25/2010

State Contact: Cindy Price

Annual Audit Received: 06/14/2010

Audit Year: 2009

Phone No. (360) 407 - 7132

Core Review Team:

<u>Role</u>	<u>Name</u>
Team Leader	Michelle Tucker
SRF Financial Analyst	Sonia Porter
CWSRF Project Officer	David Carcia
_____	_____
_____	_____

State Staff Interviewed

FAS Manager, Steve Carley; Unit Supervisor, Jeff Nejedly

SRF Coordinator, Cindy Price

Financial Officer, Gary Zeiler; Financial Manger, Bill Hashim

Environmental Engineer 5, David Dunn;

Data Specialist, Brian Brada

Project Files Reviewed: Ritzville (L09000004)

Lake Stevens (L0800014)

	First Team Meeting	Second Team Meeting	On-Site Visit	Draft PER	Final PER
Estimated Date:	1/15/2010	2/18/2010	03/08/10 -03/10/10	10/26/2010	3/25/2011
Actual Date:	1/25/2010	2/25/2010	03/08/10 -03/09/10	2/25/2011	4/4/2011

Required Program Elements

Review Item and Questions to Answer <i>reference to guidance manual</i>		Yes No N/A			Comments	Data Sources (check all that apply)	
1.1	Annual / Biennial Report						
1	Does the State's Annual / Biennial Report meet all requirements?	x				x	Annual Report: January 25, 2010
	a. Reports on progress towards goals and objectives	x				x	Annual Report: January 25, 2010
	b. Reports on use of funds and binding commitments	x				x	Annual Report: January 25, 2010
	c. Reports on the timely and expeditious use of funds	x				x	Annual Report: January 25, 2010
	d. Identifies projects and types of assistance provided.	x				x	Annual Report: January 25, 2010
	e. Includes financial statements and cross-references independent audit report		x		The report includes unaudited financial statements.	x	Annual Report: January 25, 2010
	f. Provides overall assessment of the SRF's financial position and long-term financial health	x				x	Annual Report: January 25, 2010
	g. Demonstrates compliance with all SRF assurances	x				x	Annual Report: January 25, 2010
	h. Demonstrates compliance with SRF program grant conditions	x			The grant conditions are typically implemented in conditions incorporated into the standard loan agreements that Ecology uses for the program. This continued to be the case this fiscal year.	x	Annual Report: January 25, 2010
	i. Demonstrates that the highest priority projects listed in the IUP were funded (DW only)			x			
	j. Documents why priority projects were bypassed in accordance with state bypass procedures and whether state complied with bypass procedures.			x	no projects were bypassed	x	Annual Report: January 25, 2010
	k. Documents use of set-aside funds (see set-aside sheet for details)			x			
	Was the Annual / Biennial Report submitted on time?		x		ECY was granted an extension to January 31, 2010 based on delays resulting from ARRA workload. It was delivered on January 25, 2010.	x	Annual Report: January 25, 2010
3	If the State assesses the environmental and public health benefits of projects, are the benefits discussed in the Annual/Biennial Report? If the answer is yes, the comment section should contain an explanation.	x			"Protecting public health and water quality is the primary mission of the Water Quality Program. This is achieved through the actions discussed in this report, as well as the coordination between the funding program and other programs, such as permitting and other Ecology programs." CBR summary page included in the annual report.	x	Annual Report: January 25, 2010; Page 13.
1.2	Funding Eligibility						
1	Are projects receiving assistance eligible for funding?	x				x	Project Files; Project Priority List
2	Is documentation being received from assistance recipients to support the amount and eligibility of disbursement	x				x	Project Files - Pay Request Documentation
3	Does the State have controls over SRF disbursements to ensure that funds are used for eligible purposes?	x				x	Staff Interviews
4	Is the state meeting the 15% small system requirement? (DW only)			x			

Required Program Elements

Review Item and Questions to Answer <i>reference to guidance manual</i>		Yes	No	N/A	Comments	Data Sources (check all that apply)
5	Does the State have procedures to ensure that systems in significant noncompliance with any NPDWR are not receiving assistance, except to achieve compliance? (DW			x		
1.3	Compliance with DBE Requirements					
1	Is the State complying with all DBE requirements (setting goals, six affirmative steps and reporting)?	x			Ecology continues to incorporate these requirements into the bid process and the loan conditions. However, six loans in the standard CWSRF program were inadvertently implemented without the requisite language added to the loan agreements. ECY has already begun to address this issue and has agreed to amend these loan agreements.	x Grant / Operating Agreement, Project Files, DBE Reporting Forms, Staff Interview
2	Are assistance recipients complying with all DBE requirements?	x			Grant funds awarded this funding cycle were awarded before the new DBE rules went into effect. Ecology provided documentation (signed certifications) to demonstrate that contractors were addressing the MBE/WBE goals. Subrecipients continue to submit quarterly DBE reports to WDOE which are consolidated and sent to EPA. Future DBE reports will be semi-annual in accordance with the new DBE rules.	x Project files; bid documents
1.4	Compliance with Federal Cross-Cutting Authorities (Cross-Cutters)					
1	Is the State complying with applicable federal cross-cutting authorities?	x				x Project Files
2	Is the State ensuring that assistance recipients are complying with all applicable federal cross-cutting authorities?	x				x Project Files
3	Were there any issues which required consultation with other State or Federal agencies?	x			Projects required informal consultation with USFWS, SHPO, and the THPO.	x Project Files
	a. What did the consultation conclude with regard to compliance with the cross-cutter?				THPO concurred with the projects as designed or amended. USFWS ESA/EFH concurrence was not found in the LSSD project file.	x Project Files
1.5	Compliance with Environmental Review Requirements					
1	Are environmental reviews being conducted in accordance with the State's approved environmental review procedures (SERP)?	x			ECY appears to be conducting appropriate environmental reviews, however, it needs to complete an updated EPA-approved SERP.	x Project Files State Environmental Review Procedures
2	Does the State document the information, processes, and premises leading to decisions during the environmental review process?	x				x Project Files
	a. Decisions that projects meet requirements for a categorical exclusion (CE) or the State equivalent?			x	No categorically excluded projects were reviewed this year.	
	b. Environmental Assessment (EA)/Findings of No Significant Impacts (FONSI) or the state equivalent.	x			LSSD- Determinations of Nonsignificance.	x NEPA Environmental Assessment, July 2006

Required Program Elements

Review Item and Questions to Answer reference to guidance manual		Yes No N/A			Comments	Data Sources (check all that apply)	
	c. Decisions to reaffirm or modify previous SERP decisions.	x			Ritzville reaffirmed the 1999 determination of non-significance through a facility plan update in October 2007	x	Facility Plan Update
	d. Environmental Impact Statement (EIS)/Records of Decisions (RODS) or the State equivalent.			x	No projects reviewed this year fit this category.		
3	Are public notices and meetings, as required by the SERP, provided during the environmental review process?	x			Washington, as a matter of state law, has thorough public participation and public review processes, however, the project file documentation of public participation was mixed. Ritzville had documentation of a public hearing. LSSD project file did not appear to have any public participation documentation.	x	Project Files
4	Are documented public concerns being addressed/resolved by the State in the environmental			x	Project file did not contain any documented public concerns.	x	Project Files
5	Do environmental reviews document the anticipated environmental and public health benefits of the project?	x				x	Ritzville Facility Plan Amendments, 2007 LSSD - September 2006 NEPA Review
1.6	Operating Agreement						
1	Is the State's Operating Agreement up to date reflecting current operating practices?	x			The SERP should be incorporated into the OA after the SERP is updated as required by this year's PER.	x	Operating Agreement, 10/20/2008
	a. Program administration	x				x	Operating Agreement, 10/20/2008
	b. MOUs			x		x	Operating Agreement, 10/20/2008
	c. Description of responsible parties	x				x	Operating Agreement, 10/20/2008
	d. Standard operating procedures	x				x	Operating Agreement, 10/20/2008
1.7	Staff Capacity						
1	Does the State have staff, in terms of numbers and capability, to effectively operate the SRF?		x		Ecology lost environmental review and ESA/EFH coordination capacity due to staff retirement. EPA recommends backfilling this position.	x	Staff interviews
	a. Accounting & Finance	x				x	Staff interviews
	b. Engineering and field inspection	x				x	Staff interviews

Required Program Elements

Review Item and Questions to Answer reference to guidance manual		Yes No N/A			Comments	Data Sources (check all that apply)	
	c. Environmental review / planning		x		Ecology lost environmental review and ESA/EFH coordination capacity due to staff retirement. EPA recommends backfilling this position.	x	Staff interviews
	d. Management	x				x	Staff interviews
	e. Management of set-asides (DW only)			x			
2	Does the program have an organizational structure to effectively operate the SRF?	x				x	Staff interviews
1.8	DWSRF Withholding Determinations						
1	Did the State document ongoing implementation of its program for ensuring demonstration of new system capacity?			x			
2	Did the State document ongoing implementation of its capacity development strategy?			x			
3	Did the State document ongoing implementation of its operator certification program?			x			

Required Financial Elements

	Review Item and Questions to Answer	Yes	No	N/A	Comments	Data Sources
2.1	State Match					
1	Has the State provided match equal to 20 percent of the grant amount?	X			Review of accounting records for cash draws confirms deposit of state match funds coinciding with federal cash draws. Annual report and CWNIMS report the same amount for FY2009 state match, (\$2,336,734) which is 20% of the FY2009 grant (\$ 11,833,668).	x Audited Financial Statements; Annual/Biennial Report
2	Was each match amount deposited at or before the federal cash draw?	X			Cash draw transaction testing review of accounting records of state match deposits.	x State Accounting Records Review
3	What is the source of the match (e.g., appropriation, State GO bonding, revenue bonds, etc.)?				State appropriation	x Audited Financial Statements Annual / Biennial Report
4	Are match funds held outside the SRF until the time of cash draws?	X				x staff interviews
5	If bonds are issued for state match, and the SRF is used to retire these bonds, do the bond documents clearly state what funds are being used for debt service and security?			X		
	a. Has the state match structure been approved by Headquarters?			X		
6	Is the state match bond activity consistent with the approved state match structure?			X		
2.2	Binding Commitment Requirements					
1	Are binding commitment requirements being met?	x			WA CWSRF made binding commitments of \$56.3million in SFY09 = approx 167% of \$33,609,943 federal grants and state match contributed in SFY2008.	x Annual / Biennial Report 2009 CWNMS
	a. Are cumulative binding commitments greater than or equal to cumulative grant payments and accompanying State match within one year of receipt of payment?	x			Cumulative binding commitments are approx. 193% of grant payments up to and including the 2008 capitalization grant.	x Annual report Table 7- page 21 " Binding Commitments and Financial Assistance Activity"
2	Are binding commitments documented in the project files?	x				x Loan Agreements
	a. Do the commitment dates match reported commitments in the Annual/Biennial report?	x				x Annual Report Loan Agreements
3	Is there a significant lag between binding commitments, loan execution, or the actual start of the projects?		x			x Project Files Annual Report Loan Agreements
	a. What is the typical and longest lag from binding commitment to project start?			x	Standard language in WA loan agreements stipulate that construction begin within 4 months after the loan agreement is signed , unless a different time frame for start of construction is mutually agreed upon.	
	b. How many projects have never started?			x	Did not address this question during SFY09 on site review	

Required Financial Elements

	Review Item and Questions to Answer	Yes	No	N/A	Comments	Data Sources
	c. How many projects have been replaced because they never started?			x	Washington's protocol allows a project that is on the Intended Use Plan's priority list one year from list publication to execute a loan. Loan recipients have 6 months to sign a loan agreement from the time they are notified and offered loan financing. If the loan is not signed within that time frame, then funding is offered to the next project down the list.	
	d. If this problem exists, is it recurring? If so, what steps are the State taking to correct the situation?		x		This is not a recurring problem.	x staff interviews
2.3	Cash Draws					
1	Has the State correctly adhered to the "Rules of Cash Draw" ?	x			Cash draw transaction testing and review of project disbursements show that the program is following the rules of cash draw.	x Project disbursement requests; Accounting transactions; Federal draw records (IFMS)
2	Does a review of specific cash draw transactions confirm use of correct proportionality percentages?	x			Cash draw transaction testing show that the program is using the correct proportionality. Two federal cash draws were tested (total \$ 44,584.00)	x cash draw transactions and disbursement documents
3	For leveraged states, what proportionality ratio is the state using to draw federal funds?			x		x cash draw transactions and disbursement documents
4	Have any erroneous payments/cash draws/disbursements been discovered and, if so , what corrective steps are being taken?		x		No erroneous payments or improper cash draws were discovered as a result of the SFY09 audit or during the annual review.	x cash draw transactions and disbursement documents
5	Does a review of specific Project cash draw transactions confirm the use of federal funds for eligible purposes?	x			Cash draw transaction testing and review of project disbursements show that the program is using federal funds for eligible purposes only.	x cash draw transactions and disbursement documents
6	Does a review of specific Administrative cash draw transactions confirm the use of federal funds for eligible purposes?	x			During the review for SFY2009, we reviewed cash draws associated with administrative expenses and verified that the use of federal funds were for eligible purposes. During our review, the state informed us of an administrative expense that ended up being reversed because the state did not go forward with a planned system upgrade. The WA CWSRF program fiscal office provided documentation showing that the correcting accounting entries had been made and the CWSRF admin account was made whole.	x see comment which lists the data sources
2.4	Timely and Expeditious Use of Funds					
1	Is the State using SRF funds in a timely and expeditious manner?	x				x IUP, annual report, loan agreements,
	a. Does the fund have large uncommitted balances?		x		WA CWSRF program maintains a very high ratio of assistance (loans) to funds available. Cumulative through SFY098 this ratio is 94%	x NIMS

Required Financial Elements

	Review Item and Questions to Answer	Yes	No	N/A	Comments		Data Sources
	b. Does the fund have large balances of undrawn federal and state funds?	x			WA has a balance of grant funds not yet drawn of approximately \$45.5 million at the end of SFY09. (excluding ARRA funds of \$67.9M) This is somewhat smaller than the amount approx. \$54.M of grant funds undrawn at end of SFY2008.	x	Annual report- grant funds drawn exhibit
	c. Are the uncommitted balances growing at a faster annual percentage rate than the growth of the total assets of the SRF?		x			x	Annual report and Financial Statements
2	Does the State need to improve its use of funds to ensure timely and expeditious use? Has the state developed a plan to address the issue?		x			x	NIMS
3	If the state was required to develop a plan demonstrating timely and expeditious use of funds, is progress being made on meeting this plan?			x			
2.5	Compliance with Audit Requirements						
1	Are annual audits being conducted by an independent auditor?	x				x	SFY2009 Audit
	a. Who conducted the most recent audit?				The Washington State Auditor's Office conducted an audit of the WA Pollution Control State Revolving Fund program for SFY09.	x	SFY2009 Audit
	b. Did the program receive an unqualified opinion?	x			In the audit report for SFY09, the program received an unqualified opinion.	x	SFY2009 Audit
	c. Were there any significant findings? (Briefly discuss the findings.)		x		There were no findings from the audit of SFY09_	x	SFY2009 Audit
	d. Is the program in compliance with GAAP?	x				x	SFY2009 Audit
2	Does the annual audit confirm compliance with State laws and procedures?	x				x	SFY2009 Audit
	a. Did the audit include any negative comments on the state's internal control structure?		x			x	SFY2009 Audit
	b. Did the audit identify any erroneous payments/cash draws/disbursements?		x			x	SFY2009 Audit
	c. Has the State taken action to recover the improperly paid funds?			x			
3	Has the program implemented prior audit recommendations and/or recommendations in the "management" letter?			x			

Required Financial Elements

	Review Item and Questions to Answer	Yes	No	N/A	Comments		Data Sources
4	Are the states cash management and investment practices consistent with State law, policies, and any applicable bond requirements?	x			Statements in the annual report and staff interviews during the current annual review confirm that cash is invested via the WA State Treasurer's Office , consistent with state law.	x	Audit ; Staff Interviews; Annual Report
	a. Is the SRF earning a reasonable rate of return on invested funds?	x			In SFY09, the WA CWSRF earned a rate of return on invested funds of approximately 3.3% compared to SFY08 results of 4.2%	x	EPA Fiancial Analsyst calculated rate of return based on data from annual report/financial statements
5	Are State accounting procedures adequate for managing the SRF?	x				x	Audit ; Annual Report
	a. Do the State's accounting procedures include internal control procedures for state-purchased equipment?	x			State program utilizes approved indirect rate for appropriate expenses. No state purchased equipment otherwise purchased in SFY2010.	x	Audit ; Annual Report
6	Are loan recipients providing single audits?	x			All WA DOE SRF loan agreements require recipients to meet requirements of the Single Audit Act if applicable.	x	Loan Agreement
	a. Is the State reviewing the loan recipient audits and resolving issues?	x			DOE relies on the WA State Auditor's Office audits to evaluate loan recipient accounting practices. State Fiscal department staff looks at every audit produced by the State Auditors and makes a point of notifying DOE of any issues involving DOE-SRF loan recipients. The DOE CWSRF program staff would then follow up on any issue that could affect a SRF loan recipient's financial capability as it relates to loan terms and requirements.	x	staff interviews
	b. Does the State ensure that assistance recipients are adhering to GAAP accounting requirements?	x			Standard requirements in WA loan agreements stipulate that recipients maintain project accounts in accordance with standards in effect under WA State law. (Chapter 43.09.200 RCW "Local Government Accounting - Uniform System of Accounting". EPA's Region 10 Financial Analyst's evaluation is that these requirements meet appropriate accounting standards.	x	Loan Agreements
2.6	Assistance Terms						
1	Are the terms of assistance consistent with program requirements?	x				x	Loan Agreements
	a. Are interest rates charged between 0% and market rates? (except as allowed for principal forgiveness)	x				x	Loan Agreements

Required Financial Elements

	Review Item and Questions to Answer	Yes	No	N/A	Comments		Data Sources
	b. Do principal repayments start within one year of project completion and end within 20 years, for all non-extended term projects with non-extended loan repayment terms?	x				x	Loan Agreements
	c. Does the program use extended terms or principal forgiveness to the extent it is allowable? (If so report the percentage of project funding in these categories.)	x			In SFY2009, WA provided principal forgiveness loans under the requirements of the American Recovery and Reinvestment Act of 2009 - ARRA. No principal forgiveness or extended terms were offered in the base program.	x	IUP; Staff Interviews
2	Does the State periodically evaluate the terms of assistance offered relative to the supply and demand for funds and the long-term financial health of the fund?	x				x	Loan Agreements
2.7	Use of Fees						
1	Does the program assess fees on their borrowers?		x			x	Loan agreements, staff
	a. What is the fee rate charged and on what basis (e.g., percentage of closing amount, principal outstanding, principal repaid, etc.)?			x			
	b. Are fees being used in accordance with program requirements?			x			
2	Does the State periodically evaluate the use of fees relative to loan terms to set appropriate total charges to borrowers and assess long-term funding needs to operate the program?			x			
3	Does the State have procedures for accounting and reporting on its use of fees?			x			
2.8	Assessment of Financial Capability and Loan Security						
1	Does the State have procedures for assessing the financial capability of assistance recipients? (CW only)	x			Beginning with applications accepted for the SFY08 funding cycle the WA CWSRF program implemented an in-house procedure for conducting financial capability assessments on all loan applicants.	x	Financial Capability Review Procedures Project Files
2	Are the financial capability policies and procedures being followed? (CW only)	x			The financial capability assessment process continues to improve based on experience evaluating financial indicators and risk factors. Ecology plans to coordinate with other state and federal funding agencies to review common risk assessment methods used and streamline the process where possible (Annual Report page 22 "Credit Risk of the SRF")	x	Financial Capability Review Procedures
3	Does the state have procedures for assessing the technical, financial, and managerial capability of assistance recipients? (DW only)			x			
4	Are the technical, financial, and managerial review procedures being followed? (DW only)			x			
5	Do assistance recipients have a dedicated source of revenue for repayment or, for privately-owned systems, adequate security to assure repayment?	x			A primary purpose of the financial capability assessment process is determination of rate-adequacy / revenue sufficiency for loan repayment.	x	Financial Capability Review Procedures

Required Financial Elements

	Review Item and Questions to Answer	Yes	No	N/A	Comments		Data Sources
6	Do assistance recipients have access to additional funding sources, if necessary, to ensure project completion?		x		Additional funding may be included in the project budget and, if so, this information would be included in the original loan agreement. There is no specific general provision in the loan agreement(s) for additional contingency funding.	x	Project Files
2.9	Financial Management						
1	Is the SRF program's financial management designed to achieve both short- and long -term financial goals?	x				x	Annual / Biennial Report
	a. Do the Financial Indicators show progress in the program in funding the maximum amount of assistance to achieve environmental and public health objectives?	x			The financial indicators for SFY2009 show continued program performance with cumulative pace at 94% of funds available being committed to loans for projects.	x	CWNIMS
2	Does the State have a long-term financial plan to direct the program?	x			WA CWSRF program management and staff regularly look at the program's long term potential and consider program adjustments in light of anticipated market demand and funding availability.	x	Staff Interviews
	a. Was financial modeling used to develop the plan?	x			DOE contracted a consulting economist to perform financial modeling of their CWSRF program and incorporated the findings during the SFY2005 - SFY2006 rule-making processes. The results of the financial modeling helped DOE to determine an operating definition of "perpetuity" and DOE continues to use the data to inform their long-term planning.	x	Staff Interviews
	b. Is the plan periodically reviewed and updated?	x				x	Staff Interviews
	c. Does planning address types of assistance and terms, use of leveraging, and transfers or cross-collateralization between programs?	x			Leveraging, transfers and / or cross- collateralization are not typically part of the WA CWSRF's planning.	x	Staff Interviews
3	Are funds disbursed to assistance recipients in a timely manner?	x			ECY has good internal processing systems that consistently disburses fund to assistance recipients in a timely manner	x	cash draw transaction testing documents
4	Has the State resolved any issues related to loan restructuring, the potential for defaults, and the timeliness of loan repayments?	x			The DOE program staff have reported in prior annual review visits, that very few, if any occurrences of late payments have been experienced over the history of WA's CWSRF program.	x	Staff Interviews
5	Are net bond proceeds, interest earnings, and repayments being deposited into the fund?	x					
6	If the State leverages, is its leveraging activity consistent with the accepted leveraging structure?			x			
7	Are leverage and state match bond documents consistent with SRF regulations?			x			

CWSRF File Review Summary

Item Description	What, Where & How Met	Explanation of requirement (if needed)
Project name	Loan Agreement L090004	Lake Stevens Sewer District: Sunnyside Wastewater Treatment Facilities Project.
Project Loan Number	Loan Agreement L0800014, L090004	L0800014 & L090004 both funded this project.
Date of Loan	<ol style="list-style-type: none"> 1. Loan Agreement L0900004 2. Loan Agreement L0800014 	<ol style="list-style-type: none"> 1. Signed by LSSD 11/25/08; signed by Ecology 12/12/2008 [SFY2009] 2. Executed on 5/31/2008 [SFY2008], the first of two loans necessary to fund the project (see terms and conditions below)
Project Description	Loan Agreement (L0800014) & (L0900004)	Construction of a new 5 MGD (up from the current design of 3.64mgd) wastewater treatment facility and an interceptor conveyance system. The new site of the wastewater treatment plant will allow for expansion while also removing the current facility from the 100-year floodplain of Ebey Slough. The project will implement membrane bioreactor technology. The project will also include a conveyance system to the WWTP; the Vernon Road Diversion gravity sewer main; lift station 20; the sunny side Blvd. gravity sewer main, and a 30-inch treatment plant outfall to Ebey Slough.
Amount of Loan	<ol style="list-style-type: none"> 1. Loan Agreement (L0900004) 2. Loan Agreement (L0800014) 5/31/2008 	<ol style="list-style-type: none"> 1. \$25,970,567 (\$14,200,402 SRF & \$11,770,165 state portion of revolving fund); Calls for increased oversight (p. 4) because it's a large loan to a small community. L0900004 agreement states that this is the second of two loans necessary to fund this project. The first loan L0800014 (see below) will be disbursed completely before this second loan is disbursed, according to PART V(a). SPECIAL TERMS AND CONDITIONS. 2. \$13,969,445; 3.1%; 20 years. <p>Note: SRF is budgeted to cover approximately \$39 million of the proposed \$123.8 million LSSD project cost. This is an increase from the original total cost of \$116 million listed in</p>

Item Description	What, Where & How Met	Explanation of requirement (if needed)
		<p>the first LSSD CWSRF loan. Costs include: Pre-construction costs of approximately \$4.7 million budgeted to come from Public Works Trust Fund (\$4 million) and the District. Sunnyside treatment portion is budgeted to cost about \$96 million. Vernon Road Diversion accounts for the remaining costs.</p>
Need for Project	Gary & Osborne, Inc. (document #04307) NEPA Environmental Assessment: July 2006	<p>The old treatment plant was flooded in 1999 causing extensive damage requiring emergency repairs. The project will eliminate the risk to water quality associated with potential flooding of the existing facility. This project will also help ensure compliance with Snohomish River Estuary TMDL allocations and NPDES permit criteria through 2019 with capacity to provide wastewater treatment for the city of Lake Stevens and the District's service area through 2028.</p>
Loan Terms (rate/amortization period)	Loan Agreement (L0900004)	<p>Interest Rate: 2.7% Loan Term: 20 Years Total Project Cost: \$116,858,598 Total Eligible Cost: \$108,368,598</p> <p>Section V (a) This is the second of two loans necessary to fund this PROJECT. The first loan No. L0800014 in the amount of \$13,969,445 is for a term of 20 years at 3.1 percent interest and was awarded in the SFY2008 funding cycle. The RECIPIENT will request reimbursement on loan L0800014 first. Once those funds have been disbursed, the RECIPIENT will then be able to request reimbursement on the funds made available tin the SFY2009 funding cycle (per the terms of funding agreement L0900004).</p> <p>Repayment: Loan is a General Obligation Debt of the RECIPIENT; This loan is a Revenue-Secured Debt of the RECIPIENT's Utility; The RECIPIENT may repay any protion of the LOAN from any</p>

Item Description	What, Where & How Met	Explanation of requirement (if needed)
		<p>funds legally available to it; So long as the DEPARTMENT will hold this LOAN, the RECIPIENT will not be entitled to, and will not effect, an economic Defeasance of the LOAN. The RECIPIENT also will not refinance the PROJECT, including making an advance refunding of the LOAN, or obtain additional grants or loans to finance the PROJECT, without written consent of the DEPARTMENT. If the RECIPIENT defeases or advance refunds the LOAN or obtains additional grants or loans for the Project without Department consent, it will be required to use the proceeds thereof immediately upon their receipt, together with other available RECIPIENT funds, to repay both of the following: (i) the LOAN amount with interest (ii) any other obligation of the RECIPIENT to the DEPARTMENT under this agreement</p> <p>A. Source and Availability; LOAN Amounts; LOAN Terms When the PROJECT Completion Date of the Initiation of Operation Date has occurred (if appropriate), the DEPARTMENT and the RECIPIENT will execute an amendment to this AGREEMENT which details the final LOAN amount (the “Final LOAN Amount”), and the DEPARTMENT will prepare a final LOAN repayment schedule, substantially in the form of ATTACHMENT 8. The Final LAON Amount will be the combined total of actual disbursement and all accrued interest to the computation date.</p> <p>The Estimated LOAN Amount and the Final LOAN Amount (in either case, as applicable, “LOAN Amount”) will bear interest at the rate of 2.7% per annum, calculated on the basis of a 365-day year. Interest on the Estimated LOAN Amount will accrue from and be calculated based on the date that each payment is mailed to the RECIPIENT. The Final LOAN Amount will be repaid in equal installments semi-annually over a term of twenty (20) years, as provided in ATTACHMENT 8.</p>

Item Description	What, Where & How Met	Explanation of requirement (if needed)
		<p>D. Method and Conditions on Repayments</p> <p>1. <u>Semiannual Payment</u>. Notwithstanding any other provision of this AGREEMENT, the first semiannual payment of principal and interest on this LOAN will be paid not later than the earlier of</p> <p>(i) one (1) year after the PROJECT Completion Date or Initiation of Operation Date, or</p> <p>(ii) five (5) years from the first payment by the DEPARTMENT.</p> <p>Equal payment will be due every six (6) months thereafter.</p> <p>3. <u>Late Charges</u>. If any amount of the Final LOAN Amount or any other amount owed to the DEPARTMENT pursuant to this AGREEMENT remains unpaid after it becomes due and payable, the DEPARTMENT may assess a late charge (a “Late Charge”). The Late Charge will be additional interest at the rate of one percent per month, or fraction thereof, starting on the date the debt becomes past due and continuing until the debt is paid in full. The RECIPIENT hereby agrees to pay such Late Charge. Nothing contained herein affects the DEPARTMENT’S default rights in Section VIII-C of this AGREEMENT.</p> <p>4. <u>Repayment Limitations</u> Repayment of the LOAN is subject to the following additional limitations, among others: those on Defeasance, refinancing and advance refunding, termination, and default and recovery of payments.</p>
Type of assistance under §603(d)	Loan Agreement L0800014 & L0900004	Direct loan – revenue secured loan pursuant to OAR 340-54-065(2)
Financial Capability Assessment/Repayment Source Evaluation	June 14, 2007 letter to prospective borrower.	WDOE requested Current Ratio (current assets/current liabilities); Operating Ratio (operating expenses/operating revenues) including information on User charges in relation to the operating ratio; Debt

Item Description	What, Where & How Met	Explanation of requirement (if needed)
		Ratio (total liabilities/net worth (Measures debt in relation to assets))
Loan Security Provisions	Loan Agreement (L0900004) 11/25/2008	<p>V. THE LOAN</p> <p>C. Sources of LOAN Repayment</p> <p>2. <u>Revenue-Secured; Lien Position.</u> This LOAN is a Revenue-Secured Debt of the RECIPIENT's Utility. This LOAN will constitute a lien and charge upon the Net Revenue junior and subordinated to the lien and charge upon such Net Revenue of any Senior Lien Obligations. To secure the repayment of the LOAN from the DEPARTMENT, the RECIPIENT agrees to comply with all of the covenants and agreements herein including, but not limited to, those contained in Section VII of this AGREEMENT.</p> <p>3. <u>Other Sources of Repayment.</u> The RECIPIENT may repay any portion of the LOAN from any funds legally available to it other than those pledged in Section V-C-2 hereof.</p> <p>4. <u>Defeasance of the LOAN; Refinancing or Additional Financing of the PROJECT.</u> So long as the DEPARTMENT will hold this LOAN, the RECIPIENT will not be entitled to, and will not effect, an economic Defeasance of the LOAN. The RECIPIENT also will not refinance the PROJECT, including making an advance refunding of the LOAN, or obtain grants or loans additional to those listed in Section IV hereof to finance the PROJECT, without the written consent of the DEPARTMENT. If the RECIPIENT decreases or advance refunds the LOAN or obtains additional grants or loans for the PROJECT without DEPARTMENT consent, it will be required to use the proceeds thereof immediately upon their receipt, together with other available RECIPIENT funds, to repay,</p> <p>(i) the LOAN Amount with interest, and</p> <p>(ii) any other obligations of the RECIPIENT to the DEPARTMENT under this AGREEMENT,</p> <p>Unless in its sole discretion the DEPARTMENT finds that repayment from those additional sources would not be in the public interest.</p> <p>Failure to repay the LOAN Amount plus interest within the time</p>

Item Description	What, Where & How Met	Explanation of requirement (if needed)
		specified in the DEPARTMENT's notice to make such repayment will incur Late Charges under Section V-D-2 and will be treated as a LOAN Default under Section VIII-A hereof.
Facility Plan available/Approved	Approval Letter from Kevin Fitzpatrick, Section Manger, Northwest Regional Office, 10/31/2006	In accordance with RCW 90.48.110, WAC 173-240-010, and Title 40 par 35 (Et Seq.) Ecology approved LSSD facility plan Volumes I and II. Phase I ~\$72 million estimated cost.
Plans & Specs Approval	Approval Letter 10/31/2006; (Addenda 1,2,3)Approval Letter 07/17/2008	"Installation of ~5,500 linear feet of 36" and 400 linear feet of 8" PVC gravity sewer pipes. The work include the jack and bore installation of approximately 1,300 linear feet of 54" casing pipe in two location under State Route 204 and under set lands areas. The work also includes the installation of manholes, side sewers, erosion and sediment control, trench safety systems, pipeline testing and restoration. These addenda consist of minor additions, deletions, and insertions to the Technical Specifications, including the Trench Dam and Critical Area Restoration;"
Bid Advertisement and Approval	<p>Notarized Affidavit of Publication 5/15/2010</p> <p>Bid List (closing dated written as July 2, 2008 Time: 2:00PM</p> <p>Gray & Osborne, Inc. Letter to Lake Stevens Sewer District (Darwin Smith, General Manager) 05/2008</p> <p>Letter from Washington State Auditor, Brian Sonntag</p>	<p>Ecology presented this affidavit of publication and a copy of the advertisement which the affidavit states was published in The Daily Journal from 5/08/10 and 5/15/10.</p> <p>Four bids are listed with Balfour Beatty being the lowest bid at \$96,710,332 (exactly)</p> <p>Engineer Estimate \$4,962,345.15 Vernon Road Diversion: Engineer Estimate & five bids tabulated with Plats Plus, Inc. picked as the low, responsible, responsive bidder. bidder (plats plus) bid at \$5,425,581.00; Sunny side WWTP; Balfour Beatty Infrastructure, Inc.~\$89 million</p> <p>This Auditor's Office letter states that: a formal sealed bidding process was used, bids were opened in an open public meeting, all</p>

Item Description	What, Where & How Met	Explanation of requirement (if needed)
	(02/24/2009)	required bid documentation was provided, the lowest responsible bid was accepted, appropriate certifications were received prior to the award of the contract, a contract was established prior to the project state date, and all change order were allowable and related to the project scope.
MBE/WBE Compliance	<p>Loan Agreement L0900004</p> <p>Contract Attachment B (signed 4/24/2008)</p> <p>Vernon Road Diversion (collection system) Contract: Attachment A</p> <p>Payment Request No. 2 Form D: 10/28/2008: Contractor Participation Report for federally funded agreements (ECY 06-11 07/07)</p>	<p>Since this project was funded with a grant awarded before the new DBE rules went into effect, the old MBE/WBE rules apply. Attachment # 6 of loan agreement: "The RECIPIENT agrees to solicit and recruit, to the maximum extent possible, certified [MBE/WBE] in purchases and contracts initiated after the effective date of this AGREEMENT.</p> <p>Sworn statement of MBE/WBE compliance</p> <p>Plats Plus, Inc. claims that approximately \$2.0 million awarded to various listed MBE/WBE subcontractors or suppliers.</p> <p>~\$3million request from primary contractor Primary is Plat Plus, Inc. These subcontractors are also listed, P&G Landscaping \$0; CM Trucking (WBE) \$104K; BC Traffic LLC (MBE) \$13.6K, Gonzales Boring U Tunneling, Inc. ~\$885K. This payment request indicates approximately ½ of MBE/WBE contracted has been completed as of the request date.</p>
Initiation of Operations/Performance Certification [§204(d)(2)] [equivalency]	n/a Construction Quality Assurance Plan (CQAP) (owner comes up with this: owners management of contractor)	While Washington has already met its Title II requirement, Washington requires certification performance as approved in the final O&M manual. This project was not completed at time of review. Startup is scheduled for 12/2012. Notice to proceed was issued 01/15/2009 and work was started on 01/19/2009, according to Plan of Operation July 2009. Washington requires a Declaration of Construction Completion where the engineer in charge of operations

Item Description	What, Where & How Met	Explanation of requirement (if needed)
		certifies that the plant was build in accordance with specifications. Five years after initiation Ecology conducts a “post-project assessment”
BPWTT [Best Practical Wastewater Treatment Technology; §201(b)] [equivalency]	n/a	Washington has already met its Title II equivalency requirement however EPA notes that this project will remove ammonia concentrations from the WWTP discharge.
Eligible Categories [§201(g)(1)] [equivalency]	n/a	Washington has already met its Title II equivalency requirement, however, this project meets the “secondary treatment or more stringent treatment” criteria from this section of CWA.
§201(g)(2) [equivalency] Reclaim, Reuse, Alternative management techniques	n/a	Washington has already met its Title II equivalency requirement.; [e.g., land treatment, small systems, reclamation and reuse of water must be considered]
Infiltration/Inflow §201(g)(3) [equivalency]	n/a	Washington has already met its Title II equivalency requirement.
(§201(g)(5) [equivalency] Innovative/Alternative Treatment Technology	n/a	Washington has already met its Title II equivalency requirement
[§201(g)(6)] [equivalency] Recreation & Open Space	n/a	Washington has already met its Title II equivalency requirement
[§201(n)(1-2)] [equivalency] CSO Funding Limitations	n/a	Washington has already met its Title II equivalency requirement
[§201(o) [equivalency]] Capital	NEPA document prepared by Gray & Osborne, September 2006	Washington has already met its Title II requirement, however, projects are still required to develop a Capital Financing Plan by

Item Description	What, Where & How Met	Explanation of requirement (if needed)
Financing Plan		statute RCW 36.70A.070. LSSD has developed a capital financing plan (Appendix: A; Point #7)
[\$204(a)(1)] [equivalency] Water Quality Management Plans	n/a	Washington has already met its Title II equivalency requirement.
Operation and Maintenance [\$204(a)(2)] [equivalency]	Plan of Operation July 2009	While Washington has already met its Title II equivalency requirement, it has codified O&M requirements within state rules. Plan states: 50% completion scheduled for June 2010; 90% scheduled for November 2011. Operations incorporated into the O&M Manual. Loan Agreement (attachment-4, p. 6) requires that recipient prepare an O&M manual in conformance with WAC 173-240-080 which calls for a draft manual at 50% project completion and 90% completion both of which need Ecology approval. Review occurred before these scheduled milestones.
User Charge System [\$204(b)(4)] [equivalency]		WA requires an adequate user fee to enable loan repayment or otherwise establish a sewer use ordinance (or have local legal authority to do so). If the system of user charges is other than based on metered flow the applicant must (a) establish a system of charges that will produce the funds necessary to operate and maintain the POTW and (b) establish a procedure to notify the residential user of the proportion of the total payment that will be allocated to the cost of waste treatment services.
Collection Systems [\$211] [equivalency]	NEPA document prepared by Gray & Osborne, September 2006	Washington has already met its Title II equivalency. This project proposes to move the WWTF out of the flood plan and accommodate future operational capacity based on projected growth.
Cost Effectiveness [\$218] [equivalency]	Value Engineering Meeting Minutes 01/20/2009	Value engineering process conducted by LSSD, Balfour Beatty Infrastructure, Gray & Osbourne and HWA GeoSciences.
Davis Bacon Act [\$512] [equivalency]	Loan Agreement (L0900004) 12/12/2008 [Attachment 4, p. 10]	Davis Bacon does not apply to this project because it was signed after Oct.1994 and before Oct. 30, 2009, however Washington State's <i>Prevailing Wages on Public Works</i> , Chapter 39.12 RCW apply and are a condition of this loan agreement.

Item Description	What, Where & How Met	Explanation of requirement (if needed)
Environmental Review [§511(c)(1)] [equivalency]	n/a	Washington has already met its Title II equivalency requirement
Was the appropriate type of environmental review conducted	NEPA document prepared by Gray & Osborne, September 2006	Yes. Three reviews were conducted: a project-level environmental review for the WWTF, a review of the lift station, and a review of the collection system.
If another agency's environmental review was adopted, is the adoption process appropriately documented	n/a	
Public Notice	NEPA document prepared by Gray & Osborne, September 2006	WWTP ER is dated September 22, 2006 (G&O #04147 Task 0004); project files did not contain public notice documentation.
Public Hearing	No documentation found	
Was an appropriate range of alternatives evaluated	NEPA document prepared by Gray & Osborne, September 2006	Yes. ER documents a no action alternative, an upgrade in the existing facility which is located in the floodplain, and the proposed alternative of building a new WWTF outside of the floodplain.
Endangered Species Act	2009 Financial Assistance Application 07/2007 Biological Assessment; Sunnyside WWTP (April 10, 2006)	Threatened Salmon and Endangered Orca (Southern Resident Pod in Puget Sound) BA included in the JARPA; BA concludes MA/NLAA for ESA-listed species, however, no concurrence from USFWS or NMFS found in the project files. Separate JARPA submitted for the stream crossings associated with Vernon Road Diversion project element and the Sunnyside Sewer Realignment, which brings new housing development into the WWTF.
National Historic Preservation Act	NEPA document prepared by Gray & Osborne, September 2006	Northwest Archaeological conducted a project site heritage resources investigation (04/10/01) and found one historic home that was not eligible for historic preservation status. (p.29). Public Works Board sent letters to Tulalip, Stillaguamish, Sauk-

Item Description	What, Where & How Met	Explanation of requirement (if needed)
		Suiattle to inform them that this project was required to conduct this survey.
Archeological & Historic Preservation Act	NEPA document prepared by Gray & Osborne, September 2006	State Archaeologist Robert H. Whitlam, Ph.D. concurred with finding in the archaeological survey (August 24, 2004 letter). Dr. Whitlam advised G&O that if any historic or prehistoric cultural are observed during project construction, then OAHF, a professional archaeologist, and the Tulalip Tribes of Washington should be contacted (G&O phone log 8/26/04). Cultural Resources Assessment found one intact dairy barn that was deemed ineligible for historic protection [EZ2-Form]. (Pp. 19-20; Northwest Archaeological 8/10/2006)
Wild & Scenic Rivers Act	No documentation found	
Coastal Zone Management Act (CZMA) Compliance	NEPA document prepared by Gray & Osborne, September 2006	The funded activity proposes to preserve and improve water quality in Ebey slough as required by CZMA.
Coastal Barriers Resource Act	n/a	As defined in this Act, there are no Coastal Barrier Resources found in Washington state.
Farmland Protection Act	NEPA document prepared by Gray & Osborne, September 2006	Proposed action of moving the WWTP to a new location outside of the floodplain would impact prime farmland. A local conservationist is cited, however, EPA notes there is no documentation of consultation with state conservationists. (p. 18). The ER states there the other two project elements, the collection system and the lift station, will have no long-term impact on Prime Farmland, Forest land, or other classified lands. (p. 21).
E.O. 11990 Wetlands Protection	NEPA document prepared by Gray & Osborne, September 2006	Wetlands study conducted by Adolfson Associates, Inc. 03/01; USACE concurs 03/02. ER concludes that 3.1 acres of wetlands will be lost as the result of construction of the Sunnyside WWTP element of this project. Project proponents plan to mitigate this loss by “upgrading” wetlands south of the project through the removal of Reed canary grass and replacing it with wetland shrubs and trees. ER concludes there will be no long-term impacts on wetlands.

Item Description	What, Where & How Met	Explanation of requirement (if needed)
		Approximately 0.1 acres of wetlands are to be disturbed by the construction of the collection system (Vernon Road Diversion) and 0.5 acres of wetlands are to be disturbed by the modification of the outfall. These areas will be replanted with native wetland vegetation after construction.
E.O. 11888 Floodplain Management Act	NEPA document prepared by Gray & Osborne, September 2006	ER cites Flood Insurance Map Panel Number 53554033 0B to state that the existing WWTF is in the floodplain and further concludes that according that the new Sunnyside WWTF is at 20 feet to 100 feet above Mean Sea Level. (p.23) “The proposed outfall and associated riprap will not raise the elevation of the 100-year floodplain by more than 1 foot.” (p.25). Removal of building from the existing WWTP is proposed as mitigation.
Clean Air Act Compliance	NEPA document prepared by Gray & Osborne, September 2006:	Air quality concerns communicated stating that anaerobic digesters require a Notice of Construction and that they should be covered if near homes. (Call from Puget Sound Clean Air to G&O; section 5 of NEPA document). ER states that WWTF will cover headworks and use biofilters on exhaust fans to control odors. WWTF diesel generator will run on low-sulfur.
Safe Drinking Water Act		This project does not impact a designated sole source aquifer because the only designated sole source aquifer in WA is near Spokane.
Civil Rights Act	LSSD Collection System Contract: Appendix B (signed 4/24/2008) Loan Agreement (L0900004)	Certification of non-segregated facilities 4700-4 form signed by LSSD (11/25/08)
E.O. 11246	LSSD Collection System Contract: Appendix B (signed 4/24/2008)	p. 11 or 24 contains Contractor’s Compliance Statement
E.O. 12898 Environmental Justice	NEPA document prepared by Gray & Osborne, September 2006	No disproportionate adverse effects were identified for the New Sunnyside WWTF (p. 47)
Small Business &	Loan Agreement	Attachment #4, p. 13 requires RECIPIENT required to: i) Place

Item Description	What, Where & How Met	Explanation of requirement (if needed)
Rural Communities Act	(L0900004)12/12/2008	SBRAs on solicitation lists, make sure SBRAs are solicited whenever there are potential sources, divide total requirements, when economically feasible, into small tasks or quantities to permit maximum participation by SBRAs, Establish delivery schedules, where requirements of work will permit, which could encourage participation by SBRAs, Use the services of the Small Business Administration and the Minority Business Development Agency of the U.S. Department of Commerce, as appropriate, and require the contractor to comply with the affirmative steps outlined above. The negotiated "Fair Share Percentage" for SB RA is ½ or 1%. The is no reporting requirement, but recordkeeping is recommended by loan agreement.
Uniform Relocation Act	NEPA document prepared by Gray & Osborne, September 2006: WWTF project specific portion. Notarized easement agreement (06/12/1997)	One house, which was purchased by LSSD, was located on the planned construction site. "This property was reviewed by the Washington Department of Archaeological and Historic Preservation and was cleared for demolition."(p.18). Carleton easement does not relocate property owner.
Debarment & Suspension	Loan Agreement (L0900004) Attachment 4, p.2	"The RECIPIENT, by signing this agreement, certifies that it is not suspended, debarred, or otherwise excluded from contracting with the federal government, or from receiving contracts paid for with federal funds." No documentation of an EPLS search was found in the project files.
WA Specific – Certification for Contracts, Grants, Loans, and Cooperative Agreements	Contact Provisions for Vernon Road Diversion Sunnydide Wastewater Facilities (Bid Documents Volume I)	Certification signed by Plats Plus, Inc. Treasurer 4/30/2008. No signed certification found in the project file for Balfour Beatty Infrastructure, Inc.: the Sunnyside Wastewater Treatment Facility prime contractor.

Reviewer: David Carcia
Date: March 1-3, 2010
Project: Lake Stevens SD: L0900004
Final Appendix A, page 26

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CWSRF File Review Summary

Item Description	What, Where & How Met	Explanation of requirement (if needed)
Project name	Loan Agreement	City of Ritzville Wastewater Treatment Plant Lagoon Rehabilitation and Upgrade Project.
Project Loan Number	Loan Agreement	L0900003: this checklist also includes some information for Loan L0000007 and L0600003 as they were the original CWSRF funding for the same project.
Date of Loan	Loan Agreement L0900003 10/30/2008 Loan Agreement L0600003 Loan Agreement L0000007	Signed by mayor of Ritzville 10/21/2008; Signed by WDOE 10/30/2008, funded the project under the new design. Executed on 9/25/2005, funded a study to determine why the previous project designed failed. Executed 12/28/1999, This project failed (see below)
Project Description	Loan Agreement 10/30/2008	This project will rehabilitate and upgrade the City of Ritzville's wastewater treatment lagoons which were built in 2000 and experienced an immediate and catastrophic failure of one lagoon and the remaining three lagoon cells show evidence of similar progressive failure. With the failed cell offline, the facility is at maximum capacity.
Amount of Loan	1. Loan Amendment L0900003 10/30/2008 2. Loan Agreement L0600003 (leaks & bubbles) 3. Loan Agreement L0000007 12/28/1999	1. \$3,500,000 SFY2009 loan to fix and upgrade Ritzville's failed treatment lagoons. L0900003 flagged for increase oversight because "complex funding/small town" according to staff interviews during PEV 2. \$320,000 SFY2006 loan offered to City of Ritzville for this wastewater treatment plant was amended down to eligible costs of ~\$94K to investigate the failure of the original design. The result was that the amended facilities plan has been completed and approved by Ecology and legal action was initiated in an effort to recover payments from the original contract. 3. \$525,750 SFY2000 loan for the original design which failed.

Item Description	What, Where & How Met	Explanation of requirement (if needed)
Need for Project	SFY2009 Water Quality Assistance Application Part 2 Section V	Project was originally required under Ecology Administrative Order No. DE 93WQ-E309. The original construction failed and the city is at risk of violating the provision of the discharge permit.
Loan Terms (rate/amortization period)	L0900003 Amendment #1 Loan L0900003 10/30/2008 Loan L0600003 09/25/2005 Loan L0000007 12/28/1999	Interest Rate 2.0%; Term 20 years Interest Rate 2.7%; Term 20 years Interest Rate 1.5%; Term 20 years Interest Rate 1.5%; Term 20 years
Type of assistance under §603(d)	Loan Agreement L0900003	Direct loan – revenue-secured loan
Financial Capability Assessment/Repayment Source Evaluation	Interviews w/ Ecology staff during on site visit	EPA was satisfied with Ecology’s in-house procedure for conducting financial capability assessments on all loan applicants. Ecology informed EPA that they began this procedure with CWSRF program applications accepted for the SFY08 funding cycle.
Loan Security Provisions	Loan Agreement L0900003, L0600003, & L0000007	V. THE LOAN C. Sources of LOAN Repayment 2. <u>Revenue-Secured; Lien Position.</u> This LOAN is a Revenue-Secured Debt of the RECIPIENT’s Utility. . 3. <u>Other Sources of Repayment.</u> The RECIPIENT may repay any portion of the LOAN from any funds legally available to it other than those pledged in Section V-C-2 hereof. 4. <u>Defeasance of the LOAN; Refinancing or Additional Financing of the PROJECT.</u> So long as the DEPARTMENT shall hold this LOAN, the RECIPIENT shall not be entitled to, and will not effect, an economic Defeasance of the LOAN. The RECIPIENT also will not refinance the PROJECT, including making an advance refunding of the LOAN, or obtain grants or loans additional to those listed in Section IV hereof to finance the

Item Description	What, Where & How Met	Explanation of requirement (if needed)
		<p>PROJECT, without the written consent of the DEPARTMENT.</p> <p>If the RECIPIENT defeases or advance refunds the LOAN or obtains additional grants or loans for the PROJECT without DEPARTMENT consent, it shall be required to use the proceeds thereof immediately upon their receipt, together with other available RECIPIENT funds, to repay,</p> <p>(i) the LOAN Amount with interest, and</p> <p>(ii) any other obligations of the RECIPIENT to the DEPARMENT under this AGREEMENT,</p> <p>Unless in its sole discretion the DEPARMENT finds that repayment from those additional sources would not be in the public interest.</p> <p>Failure to repay the LOAN Amount plus interest within the time specified in the DEPARTMENT's notice to make such repayment will incur Late Charges under Section V-D-2 and will be treated as a LOAN Default under Section VIII-A hereof.</p> <p>Page 11 of 16 of Loan Agreement. Covenants and Agreements: B. The RECIPENT will keep proper and separate accounts and records in which complete and separate entries shall be made of all transaction relating to this AGREEMENT. The RECIPENT shall keep such records for six years after the receipt of the final loan disbursement.</p>
Facility Plan Available/Approved	Ecology approval letters (10/30/2007) & (12/26/1998)	Letter from James Bellatty, Water Quality section manager, approving City of Ritzville Amendment to Facility Plan. The original facility plan was approved in the 12/26/1998 letter. Facility plan not in project files at the time of this review.
Plans & Specs Approval	Fitzpatrick letter – City of Mount Vernon Wastewater Treatment Plant Upgrade Final Plans and Specifications 12/7/06	<p>“Pursuant to RCW 90.48.110 and WAC 173-240-030, the above-referenced final plans and specifications have been reviewed and are hereby approved.</p> <p>This approval shall not relieve the owners of this facility from any responsibilities or liabilities as a result of noncompliance with the discharge permit during construction or in operation of facilities approved herein.”</p>

Item Description	What, Where & How Met	Explanation of requirement (if needed)
Bid Advertisement and Approval	Tabulation of bids 08/14/2008	Certified by project engineer with IMCO General Construction, Inc. listed with the lowest bid. Affidavit of Publication not in project file
MBE/WBE Compliance	Sworn Statement of MBE/WBE compliance from IMCO (signed 8/13/2008) Faxes from IMCO to ten MBE/WBEs (sent 08/12/08)	The recipient agrees to solicit and recruit, to the maximum extent possible, certified minority-owned (MBE) and women-owned (WBE) businesses in purchases and contracts initiated after the effective date of this Agreement. In the absence of more stringent goals established by the RECIPIENT's jurisdiction, the RECIPIENT agrees to utilize the DEPARTMENT's goals for MBE/WBE participation in all bid packages, requests for proposals, and purchase orders. These goals are expressed as percentage of the total dollars available for the purchase or contract and are as follow. Faxes stated IMCO interest in including minority subcontractors and requesting responses.
§204(d)(2) [equivalency]	N/A	Initiation of Operations/Performance Certification: Project was not completed at the time of review.
§201(b) [equivalency]	N/A	BPWTT [Best Practical Wastewater Treatment Technology: Ecology has already met the Title II requirements.
§201(g)(1) [equivalency]	N/A	Eligible Categories Ecology has already met the Title II requirements.
§201(g)(2) [equivalency]	N/A	Reclaim, Reuse [Alternative management techniques; e.g., land treatment, small systems, reclamation and reuse of water must be considered]: Ecology has already met the Title II requirements.
§201(g)(3) [equivalency]	N/A	Infiltration/Inflow: Ecology has already met the Title II requirements.
§201(g)(5) [equivalency]	N/A	Innovative/Alternative Treatment Technology: Ecology has already met the Title II requirements.
§201(g)(6) [equivalency]	N/A	Recreation & Open Space: Ecology has already met the Title II requirements.
§201(n)(1-2) [equivalency]	N/A	CSO Funding Limitations: Ecology has already met the Title II requirements.

Item Description	What, Where & How Met	Explanation of requirement (if needed)
§201(o) [equivalency]	N/A	Capitol Financing Plan: Ecology has already met the Title II requirements.
§204(a)(1) [equivalency]	N/A	Water Quality Management Plans: Ecology has already met the Title II requirements.
§204(a)(2) [equivalency]	N/A	Operation and Maintenance: Ecology has already met the Title II requirements.
§204(b)(4) [equivalency]	Loan Agreement Attachment 4, p.12.	User Charge System While Ecology has already met the Title II requirements the Loan Agreement states: “The RECIPIENT certifies that it has the legal authority to establish and implement a wastewater treatment user-charge system and will adopt a system that ensures each recipient of the water pollution control facility will pay it proportionate share of the cost of operation and maintenance, including replacement during the design life of the PROJECT”
[§211] [equivalency]	N/A	Collection Systems: Ecology has already met the Title II requirements.
[§218] [equivalency]	N/A	Cost Effectiveness: Ecology has already met the Title II requirements.
[§512] [equivalency]	N/A	Davis Bacon Act does not apply to this project, but WA calls for Prevailing Wage rates per Chapter 39.12 RCW <i>Prevailing Wages on Public Works</i>
[§511(c)(1)] [equivalency]	N/A	Ecology has already met the Title II requirements.
Was the appropriate type of environmental review conducted	Approval letter for Ritzville amendment to wastewater facility plan (10/30/2007) SERP Checklist 10/20/1999 And Facility Plan amendments October 2007	Yes, State Environmental Review Process (SERP) was approved for the original wastewater plan in October of 1999 and revisited in the amended facility plan. SEPA/SERP checklist and Determination of Non-significance prepared by Ritzville and approved by Ecology. Environmental review and cross cutters addressed. Checklists were reviewed by regional Ecology project officer and sent to the section supervisor for approval (next item).
If another agency’s environmental review was adopted, is the adoption process	Ecology Environmental Certification Concurrence 10/25/1999	SEPA/SERP concurrence documentation signed by the eastern region section supervisor.

Item Description	What, Where & How Met	Explanation of requirement (if needed)
appropriately documented	Facility Plan amendments October 2007	Approved by Ecology 10/30/2007.
Public Notice	No documentation found	SEPA requires public notice of environmental review, but there was not sufficient documentation in the project file to verify this.
Public Hearing	SERP Checklist 10/20/1999 And Facility Plan amendments October 2007	Yes, as documented in section I, numerous City Council meeting were held to address this proposal and a public hearing for the Ritzville project was held on 12/2/97.
Was an appropriate range of alternatives evaluated	SERP Checklist 10/20/1999 And Facility Plan amendments October 2007	Yes, section L addresses several alternatives and this evaluation was incorporated into the amended Facilities Plan.
Endangered Species Act	SERP Checklist 10/20/1999 And Facility Plan amendments October 2007	According to the checklist, no listed species or essential fish habitat located in or near the project area.
National Historic Preservation Act	SERP Checklist 10/20/1999 And Facility Plan amendments October 2007	Addressed on P. V-29. No archaeological or historic resources are known to exist on the site.
Archeological & Historic Preservation Act	SERP Checklist 10/20/1999 And Facility Plan amendments October 2007	No archaeological or historic resources are known to exist on the site.
Wild & Scenic Rivers Act	SERP Checklist 10/20/1999 And Facility Plan amendments October 2007	Project is not located on a Wild & Scenic River.
Coastal Zone Management Act Compliance	SERP Checklist 10/20/1999 And Facility Plan amendments October 2007	No federal permits are needed for this project. Therefore the CZMA certification is not required.
Coastal Barriers Resource Act	SERP Checklist 10/20/1999 And Facility Plan amendments October 2007	There are no Coastal Barrier Resources in Washington state.
Farmland Protection Act	SERP Checklist 10/20/1999 And Facility Plan amendments	There are no prime or unique farmlands located in the project area. No farmlands will be impacted by the project.

Item Description	What, Where & How Met	Explanation of requirement (if needed)
	October 2007	
E.O. 11990 Wetlands Protection	SERP Checklist 10/20/1999 And Facility Plan amendments October 2007	There are wetlands located within the project area in pasture grazed by cattle that are beneficially impacted by fixing the failed design.
E.O. 11888 Floodplain Management Act	SERP Checklist 10/20/1999 And Facility Plan amendments	Addressed in the facility plan (p. 4): dike elevations are above the 100-year flood plain.
Clean Air Act Compliance	SERP Checklist 10/20/1999 And Facility Plan amendments October 2007	Addressed in the facility plan (p.V-29) Air quality impacts presented as insignificant and as related to temporary construction effects.
Safe Drinking Water Act	SERP Checklist 10/20/1999 And Facility Plan amendments October 2007	Surface water discharges will be treated to meet secondary treatment standards.
Civil Rights Act	Pre-Award Compliance Report (10/21/2008)	Certification of Non-segregated Facilities (4700-4 From signed 08/13/2008)
E.O. 11246	Contractor's Compliance Statement	Signed 08/13/2008
E.O. 12898 Environmental Justice	No documentation found in project files	
Small Business & Rural Communities Act	Loan Agreement: Attachment 4, p. 13	While not applicable because the project was funded with recycled money, "Negotiated 'Fair Share Percentage' required for SBA is one-half of one percent (0.5%)." And recipient is required to follow affirmative steps to solicit bids from small businesses in rural areas. No reporting required, Attachment 6 Section M.
Uniform Relocation Act	Discussion with Ecology CWSRF engineering staff	WWTF build on town-owned land. Farmer granted an easement for land application of effluent. No people were relocated for this project
Debarment & Suspension	Certification regarding debarment, suspension and other responsibility matters	EPLS search conducted and certification signed 08/13/2008 to document compliance with debarment & suspension requirement.
WA Specific – Certification for Contracts, Grants, Loans, and Cooperative Agreements	No documentation found	According to Ecology Staff (Bill Hashim) Bid/Contact documents in this project file do not contain this required WA form.

Reviewer: David Carcia
Review Date: March 1-3, 2010
Project: City of Ritzville; L0900003
Final Appendix A, Page 34

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ARRA Semi-Annual Review Checklists

ARRA SEMI-ANNUAL REVIEW PROGRAMMATIC & FINANCIAL CHECKLISTS	B-01
ARRA FILE REVIEW #1: AIRWAY HEIGHTS (LOAN # L0900007)	B-09
ARRA FILE REVIEW #2 ARLINGTON (LOAN # L1000024)	B-15
ARRA FILE REVIEW #3 KITTITAS (LOAN #L1000017)	B-20
ARRA FILE REVIEW #4 LOTT ALLIANCE (LOAN #L1000016)	B-25

Information Sheet

SRF ARRA Annual Review Information Sheet

State Under Review: Washington
DW or CW Program? CW

For SRF Fiscal Year Beginning: 07/01/2008 Ending: 06/30/2009
This is the **First** ☒ **Second** ☐ ARRA review in this fiscal year (check one)

State
Contact: Cindy Price

Annual Audit Received: 6/14/2010

Audit Year: SFY2009

Phone No. (360) 407-7132

Core Review Team:

Role	Name
CWSRF ARRA Program Analyst	Bryan Fiedorczyk
CWSRF ARRA Financial Analyst	Laura Young

State Staff Interviewed	
Steve Carley, FAS Manager	Ken Ziebart, NWRO Project Manager
Jeff Nejedny, Unit Supervisor	Dave Dougherty, SWRO Project Manager
Cindy Price, SRF Coordinator	Richard Koch, ERO Project Manager
David Dunn, Environmental Engineer	Cynthia Wall, ERO Project Manager
Bill Hashim, Financial Manager	
Tammie McClure, Financial Manager	
Brian Brada, Data Specialist	

Project Files Reviewed: Airway Heights #L0900007

Kittitas #L1000017

Arlington #L1000024

Lott Alliance #L1000016

	First Team Meeting	Second Team Meeting	On-Site Visit	Draft PER	Final PER
Estimated Date:	1/5/2010	2/18/2010	3/8/2010 - 3/10/2010	10/26/2010	3/25/2011
Actual Date:	1/25/2010	2/25/2010	3/8/2010 - 3/9/2010	2/25/2011	4/4/2011

Worksheet 1

ARRA Required Program Elements

Review Item and Questions to Answer <i>reference to guidance manual</i>		Yes	No	N/A	Comments	Data Sources (check all that apply)	
1.1 Funding Eligibility							
1	Are projects that received ARRA assistance eligible for funding?	X				X	Project Files
						X	Staff Interviews
	a. Were funds used for any casino, gambling establishment, aquarium, zoo, golf course, swimming pool, or land purchase?		X			X	Project Files
						X	Staff Interviews
	b. Were ARRA funds used to refinance a project? (allowable only if the initial debt was incurred between October 1, 2008 and February 17, 2009)		X			X	Project Files
						X	Staff Interviews
1.2 Compliance with DBE Requirements							
1	Is the State complying with all DBE requirements (setting goals, six affirmative steps and reporting) for ARRA-funded projects?	X			DBE requirements with 6100 forms described in loan agreements	X	Project Files
						X	Staff Interviews
2	Are ARRA assistance recipients complying with all DBE requirements?		X		Kittitas - ok; Lott Alliance & Airway Heights - bid docs included MBE/WBE requirements; Airway Heights, Arlington, and Lott Alliance bid docs did not include evidence of 6100 series forms	X	Project Files
						X	Staff Interviews
1.3 Compliance with Federal Cross-Cutting Authorities (Cross-Cutters)							
1	Is the State ensuring that ARRA assistance recipients are complying with all applicable federal cross-cutting authorities?	X			Ecology effectively used a new ARRA email certification form for document cross-cutter review	X	Project Files
2	Were there any issues which required consultation with other State or Federal agencies?	X			See project checklists for specific cross-cutter consultation (NMFS, EPA, DAHP, THPO, etc.)	X	Project Files
	a. What did the consultation conclude with regard to compliance with the cross-cutter?			X	Typical concurrence/no affect responses	X	Project Files
1.4 Compliance with Environmental Review Requirements							
1	Are environmental reviews being conducted for ARRA-funded projects in accordance with the State's approved environmental review procedures (SERP)?	X				X	Project Files

Worksheet 1

ARRA Required Program Elements

Review Item and Questions to Answer <i>reference to guidance manual</i>		Yes	No	N/A	Comments		Data Sources (check all that apply)
2	Does the State document the information, processes, and premises leading to decisions during the environmental review process?		X		Ecology SERP procedures allow recipient to make DNS; however, copy of DNS not found in Airway Heights or Lott Alliance project files	X	Project Files
	a. Decisions that projects meet requirements for a categorical exclusion (CE) or the State equivalent?			X			Project Files
	b. Environmental Assessment (EA)/Findings of No Significant Impacts (FONSI) or the state equivalent.			X			Project Files
	c. Decisions to reaffirm or modify previous SERP decisions.	X				X	Airway Heights, Arlington, Kittitas and LOTT Alliance files
	d. Environmental Impact Statement (EIS)/Records of Decisions (ROD) or the State equivalent.			X			
3	Are public notices and meetings, as required by the SERP, provided during the environmental review process?		X		Public notices (from recipient) not currently included in files	X	Project Files
4	Are documented public concerns being addressed/resolved by the State in the environmental review process?			X	No comments noted	X	Project Files
5	Do environmental reviews document the anticipated environmental and public health benefits of the project?	X			EID and/or SEPA checklist	X	Project Files

Worksheet 1

ARRA Required Program Elements

Review Item and Questions to Answer reference to guidance manual		Yes	No	N/A	Comments	Data Sources (check all that apply)	
1.5 Staff Capacity							
1	Does the State have staff, in terms of numbers and capability, to effectively implement ARRA?	X			Ecology borrowed staff from other programs in order to operate the program effectively and meet ARRA requirements.	X	Program Budget
	a. Accounting & Finance	X					
	b. Engineering and field inspection	X					
	c. Environmental review / planning	X					
	d. Management	X					
	e. Management of set-asides (DW only)			X			
1.6 Reporting							
1	Has the State entered data for all ARRA-funded projects into the CWSRF Benefits Reporting (CBR) database or Drinking Water Project Benefits Reporting System (PBR)?	X				X	CBR/PBR database
	a. Were projects entered into the database by the end of the week of loan closing?	X				X	CBR/PBR database
	b. Are the records complete, to the extent possible?	X				X	CBR/PBR database
2	Has the Region reviewed the State's CBR/PBR data?	X			Data appeared accurate	X	CBR/PBR database
1.7 Certifications							
1	Has a certification by the Governor or other chief executive of the applicable State agency been made and posted certifying that each ARRA-funded projects has received full review and vetting required by law?	X			Available at: http://www.recovery.wa.gov/accommodability/certifications.asp	X	State website
1.8 Green Project Reserve Requirements							
1	Did the State comply with ARRA Green Project Reserve requirements?	X				X	Intended Use Plan
						X	Project Files
						X	Staff Interviews
	a. Do projects funded by the Green Project Reserve contain documentation or a business case showing the project type/project components to be consistent with the intent of ARRA?		X		Recommend GPR documentation should be maintained in State records or project file	X	Staff Interviews
2	Did the State provided a written certification if it was unable to meet the 20% Green Project Reserve requirement, including the steps the State used to identify and/or solicit Green Project Reserve projects?			X	Achieved ~27% GPR eligible funding	X	State records
	a. Does State documentation demonstrate a timely and concerted effort to solicit projects for the Green Project Reserve?	X				X	IUP
1.9 Davis-Bacon Requirements							
1	Did the State include Davis-Bacon requirements in ARRA assistance agreements?	X			ARRA Attachment 4	X	Assistance agreement

Worksheet 1

ARRA Required Program Elements

Review Item and Questions to Answer <i>reference to guidance manual</i>		Yes	No	N/A	Comments		Data Sources (check all that apply)
2	Do project files contain appropriate documentation demonstrating that the assistance recipient has complied with Davis-Bacon requirements?		X		Construction contracts did not appear to include required Davis-Bacon clauses from EPA grant terms and conditions; Arlington did not appear to include Federal wage determinations in the bid/contract documents	X	Project Files
2.0 Buy American Requirements							
1	Did the State include Buy American requirements in ARRA assistance agreements?	X			ARRA Attachment 4	X	Assistance agreement
2	Do project files contain appropriate documentation demonstrating that the assistance recipient has complied with Buy American requirements?		X		Kittitas not far enough along, Arlington N/A (national bid waiver); Airway Heights & Lott Alliance include numerous inadequate verification documents that provide vague or general statements, refer to improper guidance, and/or do not provide meaningful description of manufacturing process and location	X	Project Files

Worksheet 2
ARRA Required Financial Elements

Review Item and Questions to Answer		Yes	No	N/A	Comments	Data Sources (check all that apply)
2.1 Cash Draws						
1	For jointly-funded projects (ARRA and base program) was only the ARRA portion drawn from the ARRA grant?	X				IFMS
						State accounting records
2.2 Timely and Expeditious Use of Funds						
1	Were all ARRA funds under contract or construction by February 17th, 2010?	X				Project Files
2	Has the State included specific language establishing conditions in its assistance agreements to allow termination of the agreement if a project fails to proceed in a timeframe consistent with ARRA requirements?	X				Assistance agreements
2.3 Compliance with Audit Requirements						
1	Is the State managing and accounting for ARRA funds separately from the base SRF program funds?	X				State accounts
a.	Are State accounting procedures adequate for managing ARRA?	X				Staff interviews
						Procedures manuals
2	Did the State notify assistance recipients of the requirement to provide a single audit if they receive more than \$500,000 in Federal funds?	X				Assistance agreements
a.	Are assistance recipients providing single audits?			X	Too early for single audits	
b.	Is the State reviewing assistance recipients' audits and resolving issues?			X	Too early for single audits	
c.	Does the State ensure that assistance recipients are adhering to GAAP accounting requirements?	X				Staff interviews
2.4 Assistance Terms						
1	Are the terms of assistance consistent with ARRA requirements?	X				IUP
						Assistance agreement
a.	Did the State provide at least 50% of ARRA funds to eligible recipients in the form of principal forgiveness, negative interest loans, grants, or combinations of these? If so, report the percentage of project funding in each of these categories in the Comments section.	X				IUP
						CBR
b.	Do ARRA principal repayments start within one year of project completion and end within 20 years?	X				Assistance agreement
c.	Do ARRA principal repayments end within the agreed-upon period for CWSRF extended-term financing agreements and DWSRF disadvantaged community agreements (if applicable)?			X	No extended-term financing	Assistance agreement
2	Did the State evaluate the impact of the ARRA subsidy provided relative to the supply and demand for funds and the long-term financial health of the fund?	X				Staff interviews

Worksheet 2
ARRA Required Financial Elements

Review Item and Questions to Answer		Yes	No	N/A	Comments	Data Sources (check all that apply)
2.5	Use of Fees					
1	Does the State assess fees on ARRA assistance?		X			X IUP
a.	What is the fee rate charged and on what basis (e.g., percentage of closing amount, principal outstanding, principal repaid, etc.)?			X		X IUP
b.	Are fees being used in accordance with program requirements?			X		X Staff interviews
2.6	Assessment of Financial Capability and Loan Security					
1	Does the State have procedures for assessing the financial capability of ARRA assistance recipients? (CW only)	X				X Financial Capability Review Procedures
2	Are the financial capability policies and procedures being followed? (CW only)	X				X Financial Capability Review Procedures
3	Does the state have procedures for assessing the technical, financial, and managerial capability of ARRA assistance recipients? (DW only)			X		Capability Review Procedures
4	Are the technical, financial, and managerial review procedures being followed? (DW only)			X		Capability Review Procedures
5	Do ARRA assistance recipients have a dedicated source of revenue for repayment or, for privately-owned systems, adequate security to assure repayment?	X				X Financial Capability Review Procedures
6	Do ARRA assistance recipients have access to additional funding sources, if necessary, to ensure project completion?	X				X Project Files X Staff interviews
2.7	Financial Management					
1	Has the State resolved any issues related to loan restructuring, the potential for defaults, and the timeliness of loan repayments?			X		X Staff interviews
2	Are ARRA repayments being deposited into the base SRF fund?			X	no repayments yet	X State accounts
3	If the State leverages its ARRA funds, are the ARRA requirements being applied to the leveraged loans?			X		Project files
2.8	Transaction Testing for Erroneous Payments					
1	Are receipts and disbursements of ARRA funds properly reported on Federal financial reports?	X				X State accounting records X FSR/IFMS reports
2	Do project invoices confirm that disbursements are for ARRA-eligible expenses?	X				X Project files
3	Did the audit identify any erroneous payments/cash draws/disbursements?			X	No loan agreements signed prior to 7/1/09	Audit report
a.	Has the State taken action to correct the erroneous payment? If so, please describe in the Comments section			X		
4	Does the State have internal controls to safeguard against erroneous payments during the ARRA cash draw and disbursement processes?	X				Procedures manuals X Staff interviews
5	Are funds disbursed to assistance recipients in a timely manner following request for reimbursement and cash draw?	X				X State accounting records Project files
6	Were invoices reviewed for at least four ARRA cash draws?	X				X State accounting records
a.	Number of cash draws reviewed				Five - two of which are Admin \$290,299, \$174,087, \$542,483, \$2,172,389.35, \$375,567	X State accounting records
b.	Dollar amount of cash draws reviewed					X State accounting records
7	Were any erroneous payments identified?		X			X State accounting records

Worksheet 2

ARRA Required Financial Elements

Review Item and Questions to Answer	Yes	No	N/A	Comments	Data Sources (check all that apply)
a. What corrective action will be taken by the State to correct the erroneous payment?			X	no erroneous payments	Staff interviews

Project File Review Checklist
for Clean Water/Drinking Water State Revolving Fund (SRF)
American Recovery and Reinvestment Act (ARRA) Projects

State: WA

Reviewer: Fiedorczyk

Project: Airway Heights (Loan#L0900007)

Review Date: 3/2/10

ARRA Required Program Elements - Airway Heights (Loan # L0900007)					
	Review Item and Question to Answer	Yes	No	N/A	Comments
1.1	Funding Eligibility				
1	File contains a signed application from the recipient	X			Signed by Albert Tripp, Airway Heights City Manager on 10/29/09
2	The assistance recipient is eligible for CWSRF/DWSRF assistance	X			municipal government
3	As described in the file, the project is eligible for CWSRF/DWSRF financing	X			water reclamation/recharge facility
4	File documents the anticipated environmental and public health benefits of the project	X			Loan application Part 2 - remove wastewater flow to Spokane River, replace septic systems that degrade groundwater aquifer, reclaimed water conservation and aquifer recharge
5	All technical documents required by the state for the type of project have been submitted (pre-engineering reports, plans & specs, etc.)	X			WWTF plan (Century West, Feb 2005); Phase 1B construction drawings (Century West, Oct 2009)
6	The technical documents were reviewed and approved by the state in accordance with their established procedures	X			Plans & specs (Phase 1B) approval memo signed by James Bellatty (Section Manager, Water Quality Program, Ecology) on 6/11/09; design report approval memo signed by James Bellatty (Section Manager, Water Quality Program, Ecology) on 12/31/08; Century West Wastewater Treatment Facilities Plan (Feb 2005) approval memo signed by James Bellatty (Section Manager, Water Quality Program, Ecology) on 2/14/05
7	ARRA: The project and recipient are eligible for ARRA funding (e.g. no zoos, casinos, golf courses, land purchases, etc.)	X			construction contract scope - no land purchase or prohibited uses
8	ARRA: All funds are under contract or construction by February 17, 2010	X			ARRA loan amount: \$22,974,618. IMCO contract (\$22 mil+) signed by Albert Tripp (City Manager, City of Airway Heights) on 9/25/09; Century West contract (\$1.5 mil+) signed by Albert Tripp (City Manager, City of Airway Heights) on 7/16/09
9	ARRA: For refinance projects, the initial debt was incurred between October 1, 2008 and February 17, 2009			X	
10	ARRA: No construction contracts signed or construction work begun prior to Oct. 1, 2008 on any ARRA-funded portion of the project	X			
1.2	CBR/PBR				
1	Information in the file supports the project data entered in CBR/PBR	X			R10 reviewed and corrections made by Brian Brada
1.3	Socio-Economic and Other				
1	File includes a completed EPA Form 4700-4	X			Attachment 3 of loan agreement, signed by Albert Tripp (City Manager, City of Airway Heights) on 6/16/09
2	Project file includes a certification from the assistance recipient confirming compliance with EEO and Non-Segregated activities	X			Appendix C - certificate of non-segregated facilities, Appendix D - non-discrimination notice, EEO SF 100, all signed by F. Imhof on 5/20/09

Project File Review Checklist
for Clean Water/Drinking Water State Revolving Fund (SRF)
American Recovery and Reinvestment Act (ARRA) Projects

ARRA Required Program Elements - Airway Heights (Loan # L0900007)					
	Review Item and Question to Answer	Yes	No	N/A	Comments
1.4	State Environmental Review				
1	The project is subject to the State Environmental Review Process (SERP) <i>[N/A for nonpoint source projects]</i>	X			wastewater treatment facility - point source
2	File includes an information document from the assistance recipient that includes the following:				
	a. Discussion of required mitigation measures	X			erosion control BMPs; ESA concurrence letter from EPA
	b. Analysis of other sites considered, as appropriate	X			
	c. Analysis of other projects considered, as appropriate	X			
3	File contains a state Environmental Assessment document <i>[N/A for projects receiving a categorical exclusion]</i>	X			WWTF plan (Feb 2005) Chapter 7 - environmental review. Ecology project certification checklist (Bellatty 6/12/09) indicates NEPA/SEPA approval on 8/22/08 and 2/23/09
4	File contains the state's decision memo documenting one of the following:				
	a. Decision to classify the project as a Categorical Exclusion (CE)			X	
	b. Decision to grant a Finding of No Significant Impact (FNSI)		X		SRF environmental checklist - completed 10/19/04; State environmental classification/documentation concurrence indicates environmental checklist and DNS are required, but DNS from City not found in project file
	c. Decision to require an Environmental Impact Statement (EIS)			X	
5	File includes evidence of public notification of CE/FNSI/EIS in accordance with the SERP		X		No record of public notice in file
	a. The comment period was in accordance with state procedures				Unable to assess, since no notice found
	b. The state addressed all comments appropriately				
6	File contains documentation of compliance with the Endangered Species Act, including state equivalents	X			DNR Natural Heritage rare plant/high quality ecosystems letter (no analysis); WDFW PHS data request (no analysis) - praires and steppe only species/habitat listed; email sent by Dale Bambrick (NOAA) on 8/28/09 indicating no NMFS species near project; Ecology project certification checklist (Bellatty 6/12/09) indicates ESA approval on 2/23/09; ESA/EFH concurrence letter from EPA dated 5/13/09
7	File contains documentation of concurrence from the State Historic Preservation Office	X			No Historical Properties Affected letter signed by Robert Whitlam (DAHP) on 1/27/09; project clearance letter signed by Randy Abrahamson (Spokane Tribe of Indians, THPO); Ecology project certification checklist (Bellatty 6/12/09) indicates approval on 2/23/09
8	File contains documentation of compliance with Wild and Scenic Rivers Act	X			Ecology project certification checklist (Bellatty 6/12/09) indicates approval on 2/23/09
9	File contains documentation of compliance with the Coastal Zone Management Act	X			Email from Jessica Moore (Shorelands and Environmental Permit Assistance Program, Ecology) sent on 8/18/09 indicating project not within CZM; Ecology project certification checklist (Bellatty 6/12/09) indicates approval on 2/23/09
10	File contains documentation of compliance with the Coastal Barriers Resources Act <i>[Louisiana and Texas only]</i>			X	
11	File contains documentation of compliance with the Farmland Protection Act	X			Ecology project certification checklist (Bellatty 6/12/09) indicates approval on 2/23/09
12	File includes documentation assessing the possible location of wetlands in the project area	X			Ecology project certification checklist (Bellatty 6/12/09) indicates approval on 2/23/09
13	File includes documentation assessing the possible location of floodplains in the project area	X			FEMA concurrence letter signed by Mark Eberlein (Regional Environmental Officer, FEMA Region X) on 8/22/08 - under assumption that determination based on NFIR map or other reliable source for floodplain impacts, not well-defined in request letter from City of Airway Heights public works Ecology project certification checklist (Bellatty 6/12/09) indicates approval on 2/23/09
14	File includes documentation showing compliance with the Clean Air Act	X			Spokane Regional Clean Air Agency requirements/concerns list sent by Chuck Studer (Air Quality Engineer) on 4/20/08 - constructions-related requirements, notice of construction, etc.; Ecology project certification checklist (Bellatty 6/12/09) indicates approval on 2/23/09

Project File Review Checklist
for Clean Water/Drinking Water State Revolving Fund (SRF)
American Recovery and Reinvestment Act (ARRA) Projects

ARRA Required Program Elements - Airway Heights (Loan # L0900007)					
	Review Item and Question to Answer	Yes	No	N/A	Comments
15	File includes evidence of consultation with the state groundwater program office or EPA Regional Office of Groundwater to identify any EPA-designated sole source aquifers in the vicinity of the project	X			Ecology project certification checklist (Bellatty 6/12/09) indicates approval on 2/23/09

Project File Review Checklist
for Clean Water/Drinking Water State Revolving Fund (SRF)
American Recovery and Reinvestment Act (ARRA) Projects

ARRA Required Technical Elements - Airway Heights, WA (Loan # L0900007)					
	Review Item and Question to Answer	Yes	No	N/A	Comments
2.1	Green Project Reserve (GPR)				
1	The project description provides sufficient detail to classify the project as eligible for inclusion in the Green Project Reserve	X			Loan application 2-12 project description and IMCO contract - water reclamation facilities. Cost breakdown spreadsheet for GPR components sent by Bill Hashim (Ecology)
2	File includes a business case (for non-categorical green projects)			X	
2.2	Bid and Procurement				
1	Project file contains RFP/bid documentation	X			
	a. Project file includes evidence that the state has reviewed and approved the bid documents			X	ECY does not approve bid documents
2	Project file includes tabulation of bids	X			Prepared by Century West on 5/21/09 - bidders: Stan Palmer Constr., IMCO General Constr., Stellar J Corp, Dick Anderson Constr., Apollo Inc., Robert B Goebel Gen. Constr., McClure & Sons Inc., Lydig Constr. Inc.; Lydig low bid at \$24,952,553, IMCO second low at \$26,836,095
3	Selected bid is included in the file	X			
	a. If other than the lowest bid was selected, an explanation is provided	X			IMCO selection - court order denying Stellar J and McClure's request for injunctive relief (bid protest), Spokane County, Hon. Michael Price (9/10/09)
4	The bid documents include Disadvantaged Business Enterprise (DBE) requirements	X			MBE/WBE to be utilized and compliance with MBE/WBE utilization requirements attachments included
	a. The bid documents provide DBE forms 6100-2, 6100-3 and 6100-4		X		No evidence of 6100 forms in project bid documents
	b. Assistance recipient has submitted semi-annual DBE reports on subcontracting procurements to the state [DBE form 5700-52A or equivalent] [note: these forms may be located elsewhere]	X			Verified with EPA DBE coordinator
5	The bid was advertised for the correct length of time as established by state rules	X			Affidavit of Publication, Spokesman-Review on 4/7/09 & 4/14/09 - bid opening on 5/20/09
6	The bid documents include Equal Employment Opportunity and Anti-Discrimination	X			Appendix D - non-discrimination notice, EEO SF 100, both signed by F. Imhof on 5/20/09
7	Bid documents or construction contracts prohibit the use of contractors or subcontractors who have been suspended or debarred by the Federal government		X		Attachment H - Certification Regarding Debarment, Suspension and Other Responsibility Matters; Ecology requires the loan recipient to conduct an EPLS search (but no record in project file)
8	ARRA: Bid documents include Buy American terms and conditions	X			Buy American certification
9	ARRA: Bid documents include Davis-Bacon requirements		X		Mentioned in Rural Development requirements - single sentence, does not include EPA grant conditions
	a. Bid documents include Federal wage determinations for the project	X			Section 2 - Federal Prevailing Wage Rates
	b. For assistance recipients that are non-profit organizations: The state obtained and reviewed wage determinations prior to bid advertisements to ensure compliance with Davis-Bacon requirements			X	
2.3	Construction Contracts [Note: states are not required to obtain copies of construction contracts]				
1	ARRA: Construction contracts include Buy American terms and conditions	X			Buy American certification included
2	ARRA: Construction contracts require the contractor to comply with Davis-Bacon requirements		X		
	a. Contracts include a reference to the Federal wage determination(s) applicable to the contract	X			
	b. Construction contracts include Davis-Bacon contract provisions from EPA grant terms and conditions		X		Mentioned in Rural Development requirements - single sentence, does not include EPA grant conditions
2.4	ARRA Reporting				
1	Project file includes documentation from the assistance recipient indicating compliance with Davis-Bacon for each weekly payroll		X		State inspection reports indicate verification of certified payroll, but no written report from recipient in file
2	Project file includes quarterly reports on job creation and retention	X			Monthly progress reports completed by recipient (December 2009 latest)
3	For projects covered by a Buy American national waiver, documentation for the waiver is included in the project file			X	Not eligible for national waiver
4	For projects that received a project-specific Buy American waiver, documentation for the waiver is included in the project file			X	Project specific waiver not requested
5	File includes documentation from the assistance recipient on utilization of the Buy American de minimis waiver			X	De minimis waiver info not yet included in project file - very early in construction process at time of review

Project File Review Checklist
for Clean Water/Drinking Water State Revolving Fund (SRF)
American Recovery and Reinvestment Act (ARRA) Projects

ARRA Required Technical Elements - Airway Heights, WA (Loan # L0900007)					
	Review Item and Question to Answer	Yes	No	N/A	Comments
2.5	Inspection Reports				
1	Project file includes copies of inspection reports prepared by the state or its representative	X			Construction inspection checklist signed by Richard Kock (Ecology) on 12/23/09 and 2/2/10 (interim checklists for Phase 1A); photo logs with excellent photos of project!
2	Inspections were performed at intervals in accordance with the state's procedures (e.g., monthly during construction, quarterly, etc.)	X			
3	ARRA: Inspection reports noted issues or concerns regarding compliance with Buy American		X		Checklist notes determinations, documentation, waivers for compliance, no issues noted
	a. All issues or concerns were appropriately resolved		X		Many of the Buy American verification documents are inadequate: vague or general statements, refer to improper guidance, and/or do not provide meaningful description of manufacturing process and location
4	ARRA: Inspection reports noted issues or concerns regarding eligibility for the Green Project Reserve		X		Checklist GPR section not checked/completed
	a. All issues or concerns were appropriately resolved			X	
5	ARRA: Inspection reports noted issues or concerns regarding compliance with Davis-Bacon requirements		X		Checklist notes D-B requirements (certified payroll, posted wage rates, documentation, etc.), no issues noted
	a. All issues or concerns were appropriately resolved			X	No issues noted
6	ARRA: Inspection reports noted issues or concerns regarding information previously reported on jobs created and retained		X		Checklist procedures/controls for jobs reporting section not checked/completed
	a. All issues or concerns were appropriately resolved			X	
7	ARRA: project file includes evidence that the ARRA logo was posted at the project site	X			Photo of project sign with ARRA logo in Feb 2010 inspection photo log

Project File Review Checklist
for Clean Water/Drinking Water State Revolving Fund (SRF)
American Recovery and Reinvestment Act (ARRA) Projects

ARRA Required Financial Elements - Airway Heights, WA (Loan # L0900007)					
	Review Item and Question to Answer	Yes	No	N/A	Comments
3.1	Financial Review				
1	CWSRF: File includes documentation that the state conducted a financial capability review	X			Fiscal file in Lacy contained a Financial Capability Review.
2	DWSRF: State conducted a technical, managerial and financial capability review of the recipient			X	
3	Loan agreement includes requirement for the assistance recipient to submit Single Audit Reports, if required	X			Attachment 4 Page 1
	a. The assistance recipient is submitting Single Audit Reports [if required]			X	Audit reports are kept on line by the State Auditors office. Latest Single Audit Report was issued 28 Sep 2009, which is too early for Airway Heights ARRA funding since loan agreement not signed until 7/13/09
	b. The state ensured that the assistance recipient resolved any issues identified in the Single Audit Report			X	No significant deficiencies or material weaknesses.
4	ARRA: For projects receiving only partial ARRA funding, the state ensured that the recipient obtained funding to allow for the project to be completed	X			Page 7 Part III
3.2	Loan or Bond Purchase Agreement				
1	The loan or bond purchase document:				
	a. Is signed by the state and assistance recipient	X			Albert Tripp, City Administrator, 6/16/2009; Kelly Susewind, Water Quality Program Manager, 7/13/2009
	b. Includes a budget and/or description of eligible costs	X			\$45,016,042
	c. Includes the interest rate	X			2.90%
	d. Includes the fee rate [if applicable]			X	
	e. Includes the repayment period	X			20 years
	f. Requires the assistance recipient to maintain accounting practices in accordance with GAAP	X			Attachment 4 Page 1
	g. Prohibits funds from going to contractors or subcontractors who have been suspended or debarred	X			Attachment 4 Page 5
	h. Includes an amortization schedule or refers to the date when repayment must begin	X			Attachement 8 31 Oct 2012
2	The repayment period is in accordance with the state’s policies and procedures (up to 20 years or extended term)	X			Attachement 8
3	ARRA: The loan or bond purchase document:				
	a. Includes a provision allowing the state to terminate the agreement if the project fails to proceed in a timeframe consistent with ARRA requirements for all funds to be under contract or construction by February 17, 2010	X			Attachment 4 Page 1
	b. Includes the Buy American requirements	X			Attachment 4 Page 2
	c. Includes the Davis-Bacon requirements	X			Attachment 4 Page 3
	d. Includes the requirement to report jobs created and/or retained	X			Attachment 7 Page 4

Project File Review Checklist
for Clean Water/Drinking Water State Revolving Fund (SRF)
American Recovery and Reinvestment Act (ARRA) Projects

State: WA

Reviewer: Fiedorczyk

Project: Arlington (Loan#1000024)

Review Date: 3/2/10

ARRA Required Program Elements - Arlington, WA (Loan # L1000024)					
	Review Item and Question to Answer	Yes	No	N/A	Comments
1.1	Funding Eligibility				
1	File contains a signed application from the recipient		X		Application completed by James Kelley (Public Works Director, City of Arlington) - did not see copy of signed application
2	The assistance recipient is eligible for CWSRF/DWSRF assistance	X			municipal government
3	As described in the file, the project is eligible for CWSRF/DWSRF financing	X			WWTF upgrade and expansion - identified in loan application and Kennedy/Jenks engineering report (June 2007)
4	File documents the anticipated environmental and public health benefits of the project	X			Loan application 2-3: decreased loading to Stillaguamish River, minimize dissolved oxygen and temperature impact, beneficial to endangered species (Chinook salmon, steelhead), and decrease in dissolved oxygen (DO) consuming organisms
5	All technical documents required by the state for the type of project have been submitted (pre-engineering reports, plans & specs, etc.)	X			Kennedy/Jenks Engineering Report (June 2007), Kennedy/Jenks Phase 1 project manual (Vol 1 & 2, October 2008), Kennedy/Jenks plans & specs (October 2008)
6	The technical documents were reviewed and approved by the state in accordance with their established procedures	X			Approval of plans & specs signed by Karen Burgess (for Kevin Fitzpatrick, WQ Section Manager, Ecology) on 10/20/08; approval of facility plan signed by Kevin Fitzpatrick on 10/20/08; plans and specs approval checklist completed by Mike Dawda (September 2008)
7	ARRA: The project and recipient are eligible for ARRA funding (e.g. no zoos, casinos, golf courses, land purchases, etc.)	X			Upgrade/expansion within existing site, no land purchase or other prohibited use
8	ARRA: All funds are under contract or construction by February 17, 2010	X			ARRA Loan Amount: \$5,540,000. IMCO \$29,201,724 contract signed by Margaret Larson (Mayor, City of Arlington) on 3/4/09; Engineering Division \$334,490 force account memo signed by James Kelly (Public Works Director, City of Arlington) on 2/11/10 and approval letter signed by Kenneth Ziebart (Project Manager, Ecology) on 2/12/10
9	ARRA: For refinance projects, the initial debt was incurred between October 1, 2008 and February 17, 2009		X		Not refinance
10	ARRA: No construction contracts signed or construction work begun prior to Oct. 1, 2008 on any ARRA-funded portion of the project	X			
1.2	CBR/PBR				
1	Information in the file supports the project data entered in CBR/PBR		X		Date of first/last contracts listed in CBR as 3/1/09, but construction contract signed on 3/4/09;
1.3	Socio-Economic and Other				
1	File includes a completed EPA Form 4700-4	X			Loan agreement, Attachment 3, signed by Margaret Larson (Mayor, City of Arlington) on 12/22/09
2	Project file includes a certification from the assistance recipient confirming compliance with EEO and Non-Segregated activities	X			IMCO contract Article 8(c) - comply with EEO, signed by Frank Imhof (President, IMCO) on 3/4/09; IMCO contract Article 7(l) - nonsegregated facilities certification signed by Frank Imhof on 12/17/08

Project File Review Checklist
for Clean Water/Drinking Water State Revolving Fund (SRF)
American Recovery and Reinvestment Act (ARRA) Projects

ARRA Required Program Elements - Arlington, WA (Loan # L1000024)					
	Review Item and Question to Answer	Yes	No	N/A	Comments
1.4	State Environmental Review				
1	The project is subject to the State Environmental Review Process (SERP) [N/A for nonpoint source projects]	X			wastewater treatment facility improvement/upgrade, point source project
2	File includes an information document from the assistance recipient that includes the following:	X			ESA Adolfson environmental report (July 2008) prepared for City of Arlington
	a. Discussion of required mitigation measures	X			Table 4-1 Summary of Mitigation
	b. Analysis of other sites considered, as appropriate			X	improvement/upgrade of existing facility
	c. Analysis of other projects considered, as appropriate	X			Three secondary treatment alternatives identified, MBR alternative recommended alternative - evaluated with no action alternative
3	File contains a state Environmental Assessment document [N/A for projects receiving a categorical exclusion]	X			SEPA checklist prepared by City of Arlington and signed by Len Olive (Public Works Director) on 12/18/06
4	File contains the state's decision memo documenting one of the following:				
	a. Decision to classify the project as a Categorical Exclusion (CE)			X	
	b. Decision to grant a Finding of No Significant Impact (FNSI)	X			City issued DNS on 2/7/07; SERP review memo signed by Kevin Fitzpatrick (Section Mgr, Water Quality Program, Ecology) on 10/30/09 - concur SERP and SEPA complete
	c. Decision to require an Environmental Impact Statement (EIS)			X	
5	File includes evidence of public notification of CE/FNSI/EIS in accordance with the SERP		X		Public notice of DNS not in file
	a. The comment period was in accordance with state procedures	X			14-day comment period indicated in DNS
	b. The state addressed all comments appropriately			X	No comments received on SEPA
6	File contains documentation of compliance with the Endangered Species Act, including state equivalents	X			ESAA report (3.4); email certification/verification form signed by Kevin Fitzpatrick (Ecology) on 10/29/09; NMFS Not Adversely Affect determination (4/9/09) and USFWS BO (10/16/09)
7	File contains documentation of concurrence from the State Historic Preservation Office	X			ESAA report (3.6); email certification/verification form signed by Kevin Fitzpatrick (Ecology) on 10/29/09; No Historic Properties Affected letter signed by Robert Whitlam (DAHP) on 10/27/09
8	File contains documentation of compliance with Wild and Scenic Rivers Act	X			email certification/verification form signed by Kevin Fitzpatrick (Ecology) on 10/29/09
9	File contains documentation of compliance with the Coastal Zone Management Act	X			email certification/verification form signed by Kevin Fitzpatrick (Ecology) on 10/29/09; CZM consistency memo signed by Brenden McFarland (Shorelands and Environmental Assistance Program) on 7/7/08
10	File contains documentation of compliance with the Coastal Barriers Resources Act [Louisiana and Texas only]			X	
11	File contains documentation of compliance with the Farmland Protection Act	X			ESAA report (3.1); email certification/verification form signed by Kevin Fitzpatrick (Ecology) on 10/29/09
12	File includes documentation assessing the possible location of wetlands in the project area	X			ESAA report (3.5); email certification/verification form signed by Kevin Fitzpatrick (Ecology) on 10/29/09
13	File includes documentation assessing the possible location of floodplains in the project area	X			ESAA report (3.2); email certification/verification form signed by Kevin Fitzpatrick (Ecology) on 10/29/09
14	File includes documentation showing compliance with the Clean Air Act	X			ESAA report (3.9); email certification/verification form signed by Kevin Fitzpatrick (Ecology) on 10/29/09
15	File includes evidence of consultation with the state groundwater program office or EPA Regional Office of Groundwater to identify any EPA-designated sole source aquifers in the vicinity of the project	X			ESAA report (3.3); email certification/verification form signed by Kevin Fitzpatrick (Ecology) on 10/29/09

Project File Review Checklist
for Clean Water/Drinking Water State Revolving Fund (SRF)
American Recovery and Reinvestment Act (ARRA) Projects

ARRA Required Technical Elements - Arlington, WA (Loan # L1000024)					
	Review Item and Question to Answer	Yes	No	N/A	Comments
2.1	Green Project Reserve (GPR)				
1	The project description provides sufficient detail to classify the project as eligible for inclusion in the Green Project Reserve		X		Project file should include GPR categorical eligibility analysis prepared by ECY HQ, and verification of GPR eligible components purchased/installed
2	File includes a business case (for non-categorical green projects)		X		Project file should include business cases prepared by Dave Dunn (and EPA email approval of business cases)
2.2	Bid and Procurement				
1	Project file contains RFP/bid documentation	X			Kennedy/Jenks Project Manual Vol 1 (Oct 08)
	a. Project file includes evidence that the state has reviewed and approved the bid documents			X	Kennedy/Jenks award recommendation memo (1/8/09) and Arlington intent to award contract and NTP memos - State does not approve bid documents
2	Project file includes tabulation of bids	X			Five bidders (range of \$29,890,955 to \$37,112,425) listed (no preparer/date of bid tab) - IMCO low bid
3	Selected bid is included in the file	X			IMCO bid document, submitted on 12/17/08
	a. If other than the lowest bid was selected, an explanation is provided			X	lowest bid selected
4	The bid documents include Disadvantaged Business Enterprise (DBE) requirements	X			Kennedy/Jenks Project Manual Vol 1 (Oct 08) Enclosure 2, Attachment A - DBE to be utilized and Attachment B - DBE utilization requirements
	a. The bid documents provide DBE forms 6100-2, 6100-3 and 6100-4		X		6100 forms not evident in bid documents
	b. Assistance recipient has submitted semi-annual DBE reports on subcontracting procurements to the state [DBE form 5700-52A or equivalent] [note: these forms may be located elsewhere]	X			Verified with EPA DBE coordinator
5	The bid was advertised for the correct length of time as established by state rules	X			Affidavits of publication (DJC & the Herald) - published on 10/20/08, bids due on 12/9/09
6	The bid documents include Equal Employment Opportunity and Anti-Discrimination provisions	X			Kennedy/Jenks Project Manual Vol 1 (Oct 08) Appendix D non-discrimination notice, Appendix E - EEO form, Appendix F - EEO affirmative action requirements, Appendix G - EEO clause
7	Bid documents or construction contracts prohibit the use of contractors or subcontractors who have been suspended or debarred by the Federal government		X		Kennedy/Jenks Project Manual Vol 1 (Oct 08) Enclosure 3; Ecology requires the loan recipient to conduct an EPLS search (but no record in project file)
8	ARRA: Bid documents include Buy American terms and conditions			X	Bid solicitation waiver (10/20/08 bid date)
9	ARRA: Bid documents include Davis-Bacon requirements	X			Kennedy/Jenks Project Manual Vol 1 (Oct 08) - contract
	a. Bid documents include Federal wage determinations for the project		X		Bid document indicates to pay higher of Davis-Bacon or State prevailing wage rates, printed wage rates appeared to be State rates only
	b. For assistance recipients that are non-profit organizations: The state obtained and reviewed wage determinations prior to bid advertisements to ensure compliance with Davis-Bacon requirements			X	
2.3	Construction Contracts [Note: states are not required to obtain copies of construction contracts]				
1	ARRA: Construction contracts include Buy American terms and conditions			X	Bid solicitation waiver (10/20/08 bid date)
2	ARRA: Construction contracts require the contractor to comply with Davis-Bacon requirements	X			IMCO contract Article 8(a) - prevailing wage rates requirement signed by Frank Imhof (President, IMCO) on 3/4/09;
	a. Contracts include a reference to the Federal wage determination(s) applicable to the contract		X		Contract indicates to pay higher of Davis-Bacon or State prevailing wage rates, printed wage rates appeared to be State rates only
	b. Construction contracts include Davis-Bacon contract provisions from EPA grant terms and conditions		X		did not see in bid or contract docs
2.4	ARRA Reporting				
1	Project file includes documentation from the assistance recipient indicating compliance with Davis-Bacon for each weekly payroll		X		Written documentation from recipient indicating compliance with Davis-Bacon not found in project file
2	Project file includes quarterly reports on job creation and retention	X			Progress reports (3/1/09 to 12/31/09, 1/1/10 to 1/31/10) [appear to be completed by recipient or contractor] indicates employment data (employees, hours, payroll dollars and job types) for created/retained
3	For projects covered by a Buy American national waiver, documentation for the waiver is included in the project file		X		Project file should include a copy of the bid waiver and note with the 10/20/08 bid date
4	For projects that received a project-specific Buy American waiver, documentation for the waiver is included in the project file			X	

Project File Review Checklist
for Clean Water/Drinking Water State Revolving Fund (SRF)
American Recovery and Reinvestment Act (ARRA) Projects

ARRA Required Technical Elements - Arlington, WA (Loan # L1000024)					
	Review Item and Question to Answer	Yes	No	N/A	Comments
5	File includes documentation from the assistance recipient on utilization of the Buy American de minimis waiver			X	
2.5	Inspection Reports				
1	Project file includes copies of inspection reports prepared by the state or its representative			X	Inspection/site visit schedule included in project file - starts on 3/16/10, monthly until 12/20/11; loan agreement not signed until 12/23/09
2	Inspections were performed at intervals in accordance with the state's procedures (e.g., monthly during construction, quarterly, etc.)			X	Not yet started, but interval indicated in schedule is appropriate
3	ARRA: Inspection reports noted issues or concerns regarding compliance with Buy American			X	Inspections not yet started, too early in project schedule
	a. All issues or concerns were appropriately resolved			X	
4	ARRA: Inspection reports noted issues or concerns regarding eligibility for the Green Project Reserve			X	
	a. All issues or concerns were appropriately resolved			X	
5	ARRA: Inspection reports noted issues or concerns regarding compliance with Davis-Bacon requirements			X	
	a. All issues or concerns were appropriately resolved			X	
6	ARRA: Inspection reports noted issues or concerns regarding information previously reported on jobs created and retained			X	
	a. All issues or concerns were appropriately resolved			X	
7	ARRA: project file includes evidence that the ARRA logo was posted at the project site			X	

Project File Review Checklist
for Clean Water/Drinking Water State Revolving Fund (SRF)
American Recovery and Reinvestment Act (ARRA) Projects

ARRA Required Financial Elements - Arlington, WA (Loan # L1000024)					
	Review Item and Question to Answer	Yes	No	N/A	Comments
3.1	Financial Review				
1	CWSRF: File includes documentation that the state conducted a financial capability review	X			
2	DWSRF: State conducted a technical, managerial and financial capability review of the recipient			X	
3	Loan agreement includes requirement for the assistance recipient to submit Single Audit Reports, if required	X			Attachment 4 Pg 1
	a. The assistance recipient is submitting Single Audit Reports [if required]			X	Too early for single audit
	b. The state ensured that the assistance recipient resolved any issues identified in the Single Audit Report			X	Too early for single audit
4	ARRA: For projects receiving only partial ARRA funding, the state ensured that the recipient obtained funding to allow for the project to be completed	X			Page 7, Part III
3.2	Loan or Bond Purchase Agreement				
1	The loan or bond purchase document:				
	a. Is signed by the state and assistance recipient	X			Margaret Larson, Mayor, 12/22/2009; Kelly Susewind, Water Quality Program Manager, 12/23/2009
	b. Includes a budget and/or description of eligible costs	X			\$32, 990,032
	c. Includes the interest rate	X			2.90%
	d. Includes the fee rate [if applicable]			X	N/A
	e. Includes the repayment period	X			20 years
	f. Requires the assistance recipient to maintain accounting practices in accordance with GAAP	X			Attachment 4 Pg 1
	g. Prohibits funds from going to contractors or subcontractors who have been suspended or debarred	X			Attachment 4 Pg 9
	h. Includes an amortization schedule or refers to the date when repayment must begin	X			Attachment 8 5/31/2012
2	The repayment period is in accordance with the state's policies and procedures (up to 20 years or extended term)	X			Attachment 8
3	ARRA: The loan or bond purchase document:				
	a. Includes a provision allowing the state to terminate the agreement if the project fails to proceed in a timeframe consistent with ARRA requirements for all funds to be under contract or construction by February 17, 2010	X			Attachment 4 Pg 1
	b. Includes the Buy American requirements	X			Attachment 4 Pg 3
	c. Includes the Davis-Bacon requirements	X			Attachment 4 Pg 5
	d. Includes the requirement to report jobs created and/or retained	X			Attachment 4 Pg 2

Project File Review Checklist
for Clean Water/Drinking Water State Revolving Fund (SRF)
American Recovery and Reinvestment Act (ARRA) Projects

State: WA				Reviewer: Bryan Fiedorczyk	
Project: City of Kittitas, WWTF Improvements #L1000017				Review Date: 3/1/10	
ARRA Required Program Elements					
	Review Item and Question to Answer	Yes	No	N/A	Comments
1.1	Funding Eligibility				
1	File contains a signed application from the recipient	X			Application signed by Frederick Huber (Kittitas, mayor) on 3/10/09
2	The assistance recipient is eligible for CWSRF/DWSRF assistance	X			municipal government
3	As described in the file, the project is eligible for CWSRF/DWSRF financing	X			Loan application 2-1 and contract provisions Part 6 Technical Specs describe WWTF improvements - fine screen installation, lift station modifications, ORP sensor installation
4	File documents the anticipated environmental and public health benefits of the project	X			Loan application 2-3 - protect Cooke Creek from higher TSS levels or effluent nutrient violations, and ammonia/nitrification
5	All technical documents required by the state for the type of project have been submitted (pre-engineering reports, plans & specs, etc.)	X			
6	The technical documents were reviewed and approved by the state in accordance with their established procedures	X			Approval letter of Plan Addendum Dated April 2004 as facilities plan signed by G Tebb (Section Manager, Water Quality Program, Ecology) on 4/19/05; approval letter of plans & specs (Gray & Osborne, Oct 2009) signed by Jonathan Merz (Acting Section Manager, Water Quality Program, Ecology) on 11/25/09
7	ARRA: The project and recipient are eligible for ARRA funding (e.g. no zoos, casinos, golf courses, land purchases, etc.)	X			Improvements to existing facility
8	ARRA: All funds are under contract or construction by February 17, 2010	X			ARRA loan amount: \$372,036. MRM Constr. Inc \$237,285 contract approved by City Attorney on 1/29/10; Gray & Osborne engineering contract for \$35,595 signed by Fred Huber ([former] Mayor, City of Kittitas) on 8/24/09; Gray & Osborne engineering contract for \$65,292 signed by John Camarata (Mayor, City of Kittitas) on 1/3/10; City project & administration costs (\$22,000) approval letter signed by Camarata on 1/13/10, plus \$11,864 change order allotment
9	ARRA: For refinance projects, the initial debt was incurred between October 1, 2008 and February 17, 2009			X	
10	ARRA: No construction contracts signed or construction work begun prior to Oct. 1, 2008 on any ARRA-funded portion of the project	X			
1.2	CBR/PBR				
1	Information in the file supports the project data entered in CBR/PBR	X			R10 reviewed - data appears accurate
1.3	Socio-Economic and Other				
1	File includes a completed EPA Form 4700-4	X			Loan agreement, Attachment 3 - 4700-4 form signed by Fred Huber (Mayor, City of Kittitas) on 11/18/09
2	Project file includes a certification from the assistance recipient confirming compliance with EEO and Non-Segregated activities	X			Appendix C of contract provisions - Certification of Nonsegregated Facilities signed by Michael Forman (Vice President, MRM) on 1/7/10; EEO SF 100 signed by Forman (MRM) on 1/19/10

Project File Review Checklist
for Clean Water/Drinking Water State Revolving Fund (SRF)
American Recovery and Reinvestment Act (ARRA) Projects

ARRA Required Program Elements					
	Review Item and Question to Answer	Yes	No	N/A	Comments
1.4	State Environmental Review				
1	The project is subject to the State Environmental Review Process (SERP) <i>[N/A for nonpoint source projects]</i>	X			WWTF improvement point source
2	File includes an information document from the assistance recipient that includes the following:				Gray & Osborne NEPA Environmental Report Amendment and BE (Jan 2005), amendment of NEPA report approved by USDA Rural Development on 6/17/98
	a. Discussion of required mitigation measures			X	
	b. Analysis of other sites considered, as appropriate			X	
	c. Analysis of other projects considered, as appropriate	X			Alternatives discussion in NEPA report amendment
3	File contains a state Environmental Assessment document <i>[N/A for projects receiving a categorical exclusion]</i>	X			SEPA Determination of Nonsignificance signed by Clay White (Planner, Kittitas County) on 7/12/04 and G&O NEPA amendment/BE approved by G Tebb (Section Supervisor, Ecology) on 4/19/05; memo on summary of NEPA environmental documentation completed by Nancy Morter (Ecology) on 6/25/09
4	File contains the state's decision memo documenting one of the following:				
	a. Decision to classify the project as a Categorical Exclusion (CE)			X	
	b. Decision to grant a Finding of No Significant Impact (FNSI)	X			Approval of SEPA Determination of Non-Significance and NEPA summary/review
	c. Decision to require an Environmental Impact Statement (EIS)			X	
5	File includes evidence of public notification of CE/FNSI/EIS in accordance with the SERP		X		Public notification not in file (should have been done for 4/19/05 approval of SEPA)
	a. The comment period was in accordance with state procedures			X	
	b. The state addressed all comments appropriately			X	
6	File contains documentation of compliance with the Endangered Species Act, including state equivalents	X			No effect on ESA species/habitat and no adverse effect on EFH letter signed by Derek Poon (EPA) on 9/8/09
7	File contains documentation of concurrence from the State Historic Preservation Office	X			No Historic Properties Affected letter signed by Robert Whitlam (DAHP) on 8/31/09
8	File contains documentation of compliance with Wild and Scenic Rivers Act	X			Ecology 6/25/09 memo
9	File contains documentation of compliance with the Coastal Zone Management Act	X			Ecology 6/25/09 memo
10	File contains documentation of compliance with the Coastal Barriers Resources Act <i>[Louisiana and Texas only]</i>			X	
11	File contains documentation of compliance with the Farmland Protection Act	X			Ecology 6/25/09 memo
12	File includes documentation assessing the possible location of wetlands in the project area	X			Ecology 6/25/09 memo
13	File includes documentation assessing the possible location of floodplains in the project area	X			Ecology 6/25/09 memo
14	File includes documentation showing compliance with the Clean Air Act	X			Ecology 6/25/09 memo
15	File includes evidence of consultation with the state groundwater program office or EPA Regional Office of Groundwater to identify any EPA-designated sole source aquifers in the vicinity of the project	X			Ecology 6/25/09 memo

Project File Review Checklist
for Clean Water/Drinking Water State Revolving Fund (SRF)
American Recovery and Reinvestment Act (ARRA) Projects

ARRA Required Technical Elements - Kittitas, WA (#L1000017)					
	Review Item and Question to Answer	Yes	No	N/A	Comments
2.1	Green Project Reserve (GPR)				
1	The project description provides sufficient detail to classify the project as eligible for inclusion in the Green Project Reserve			X	Not proposed as GPR eligible project
2	File includes a business case (for non-categorical green projects)			X	
2.2	Bid and Procurement				
1	Project file contains RFP/bid documentation	X			Call for bids and pre-bid meeting minutes included in contract docs
	a. Project file includes evidence that the state has reviewed and approved the bid documents			X	approval of contract Addendum 1 signed by Charles McKinney (Section Manager, Water Quality Program, Ecology) on 1/5/10 and Addenda 2 & 4 (McKinney, 1/13/10) - Ecology does not approve bid/award
2	Project file includes tabulation of bids	X			Bid review letter (19 bidders, low [MRM] \$237,285 to \$626,605) signed by Nancy Morter (Gray & Osborne) on 1/8/10
3	Selected bid is included in the file	X			MRM proposal and statement of bidder's qualification signed by Michael Forman on 1/7/10, included with contract docs
	a. If other than the lowest bid was selected, an explanation is provided			X	Lowest bid selected (MRM)
4	The bid documents include Disadvantaged Business Enterprise (DBE) requirements	X			Bid/contract docs: Attachment A - DBE to be utilized form, Attachment B - Compliance with DBE requirements, signed by Michael Forman (VP, MRM) on 1/7/10
	a. The bid documents provide DBE forms 6100-2, 6100-3 and 6100-4	X			Appendix C of contract docs (blank forms)
	b. Assistance recipient has submitted semi-annual DBE reports on subcontracting procurements to the state [DBE form 5700-52A or equivalent] [note: these forms may be located elsewhere]	X			Verified with EPA DBE regional coordinator
5	The bid was advertised for the correct length of time as established by state rules	X			Affidavit of Public Notice in the Daily Record and DJC for 12/10/09 and 12/17/09 - bid opening on 1/10/10
6	The bid documents include Equal Employment Opportunity and Anti-Discrimination provisions	X			EEO form and Appendix D Non-Discrimination notice signed by Michael Forman (VP, MRM) on 1/19/10, included with contract docs
7	Bid documents or construction contracts prohibit the use of contractors or subcontractors who have been suspended or debarred by the Federal government		X		Certification signed by Michael Forman (VP, MRM) on 1/7/10, included with contract docs; Ecology requires the loan recipient to conduct an EPLS search (but no record in Ecology's files)
8	ARRA: Bid documents include Buy American terms and conditions	X			BA certification form signed by Michael Forman (VP, MRM) on 1/7/10, included with contract docs
9	ARRA: Bid documents include Davis-Bacon requirements		X		Section 3.03.4 of contract docs lists prevailing wage requirements, but not Davis-Bacon requirements specifically
	a. Bid documents include Federal wage determinations for the project	X			Part 7 of contract docs
	b. For assistance recipients that are non-profit organizations: The state obtained and reviewed wage determinations prior to bid advertisements to ensure compliance with Davis-Bacon requirements			X	
2.3	Construction Contracts [Note: states are not required to obtain copies of construction contracts]				
1	ARRA: Construction contracts include Buy American terms and conditions	X			BA monthly certification form signed by Michael Forman (VP, MRM) on 1/19/10; Appendix D includes BA guidance and national waivers
2	ARRA: Construction contracts require the contractor to comply with Davis-Bacon requirements		X		Section 3.03.4 of contract docs lists prevailing wage requirements, but not Davis-Bacon requirements specifically
	a. Contracts include a reference to the Federal wage determination(s) applicable to the contract	X			Part 7
	b. Construction contracts include Davis-Bacon contract provisions from EPA grant terms and conditions		X		provisions not included in contract docs
2.4	ARRA Reporting				
1	Project file includes documentation from the assistance recipient indicating compliance with Davis-Bacon for each weekly payroll		X		Written documentation from recipient indicating compliance with Davis-Bacon not found in project file
2	Project file includes quarterly reports on job creation and retention	X			Progress report completed on 1/6/10 (by recipient or consultant) indicates employment data (employees, hours, payroll dollars and job types) for created/retained
3	For projects covered by a Buy American national waiver, documentation for the waiver is included in the project file			X	Not eligible for national bid waiver

Project File Review Checklist
for Clean Water/Drinking Water State Revolving Fund (SRF)
American Recovery and Reinvestment Act (ARRA) Projects

ARRA Required Technical Elements - Kittitas, WA (#L1000017)					
	Review Item and Question to Answer	Yes	No	N/A	Comments
4	For projects that received a project-specific Buy American waiver, documentation for the waiver is included in the project file			X	No project waiver requested yet
5	File includes documentation from the assistance recipient on utilization of the Buy American de minimis waiver			X	No waiver documentation in file yet, too early in project schedule
2.5	Inspection Reports				
1	Project file includes copies of inspection reports prepared by the state or its representative			X	2/5/10 progress report (10% complete); inspections not yet started - schedule included for 5/5/10, 7/7/10, 8/11/10 and 10/12/10
2	Inspections were performed at intervals in accordance with the state's procedures (e.g., monthly during construction, quarterly, etc.)			X	Not yet started, but interval indicated in schedule is appropriate
3	ARRA: Inspection reports noted issues or concerns regarding compliance with Buy American			X	Inspections not yet conducted, too early in project schedule
	a. All issues or concerns were appropriately resolved			X	
4	ARRA: Inspection reports noted issues or concerns regarding eligibility for the Green Project Reserve			X	
	a. All issues or concerns were appropriately resolved			X	
5	ARRA: Inspection reports noted issues or concerns regarding compliance with Davis-Bacon requirements			X	
	a. All issues or concerns were appropriately resolved			X	
6	ARRA: Inspection reports noted issues or concerns regarding information previously reported on jobs created and retained			X	
	a. All issues or concerns were appropriately resolved			X	
7	ARRA: project file includes evidence that the ARRA logo was posted at the project site			X	

Project File Review Checklist
for Clean Water/Drinking Water State Revolving Fund (SRF)
American Recovery and Reinvestment Act (ARRA) Projects

ARRA Required Financial Elements - Kittitas, WA (#L1000017)					
	Review Item and Question to Answer	Yes	No	N/A	Comments
3.1	Financial Review				
1	CWSRF: File includes documentation that the state conducted a financial capability review	X			
2	DWSRF: State conducted a technical, managerial and financial capability review of the recipient			X	
3	Loan agreement includes requirement for the assistance recipient to submit Single Audit Reports, if required	X			Attachment 4, page 1
	a. The assistance recipient is submitting Single Audit Reports [if required]			X	Audit reports are kept on line by the State Auditors office. Latest Single Audit Report was issued 31 Dec 2007. Too early for ARRA funded project since loan application was not signed until 12/1/09.
	b. The state ensured that the assistance recipient resolved any issues identified in the Single Audit Report			X	
4	ARRA: For projects receiving only partial ARRA funding, the state ensured that the recipient obtained funding to allow for the project to be completed	X			Page 7 part III
3.2	Loan or Bond Purchase Agreement				
1	The loan or bond purchase document:				
	a. Is signed by the state and assistance recipient	X			Fred Huber, Mayor, 11/18/09; Kelly Susewind, Water Quality Program Manager, 12/1/09
	b. Includes a budget and/or description of eligible costs	X			\$370,199
	c. Includes the interest rate	X			2.20%
	d. Includes the fee rate [if applicable]			X	
	e. Includes the repayment period	X			20 years
	f. Requires the assistance recipient to maintain accounting practices in accordance with GAAP	X			Attachment 4 page 1
	g. Prohibits funds from going to contractors or subcontractors who have been suspended or debarred	X			Attachment 4 page 9
	h. Includes an amortization schedule or refers to the date when repayment must begin	X			Attachment 8 5/1/11
2	The repayment period is in accordance with the state's policies and procedures (up to 20 years or extended term)	X			Attachment 8
3	ARRA: The loan or bond purchase document:				
	a. Includes a provision allowing the state to terminate the agreement if the project fails to proceed in a timeframe consistent with ARRA requirements for all funds to be under contract or construction by February 17, 2010	X			Attachment 4 page 1
	b. Includes the Buy American requirements	X			Attachment 4 page 3
	c. Includes the Davis-Bacon requirements	X			Attachment 4 page 5
	d. Includes the requirement to report jobs created and/or retained	X			Attachment 4 page 2

Project File Review Checklist
for Clean Water/Drinking Water State Revolving Fund (SRF)
American Recovery and Reinvestment Act (ARRA) Projects

State: WA

Reviewer: Bryan Fiedorczyk

Project: Lott Alliance (Loan#L1000016)

Review Date: 3/1/10

ARRA Required Program Elements - LOTT Alliance #L1000016

	Review Item and Question to Answer	Yes	No	N/A	Comments
1.1	Funding Eligibility				
1	File contains a signed application from the recipient	X			Signed by Michael Strub (Executive Director, LOTT Alliance) on 3/13/09
2	The assistance recipient is eligible for CWSRF/DWSRF assistance	X			Non-profit agency, functions as a quasi-public wastewater utility with interlocal agreements with the Cities of Lacey, Olympia and Tumwater and Thurston County. General interlocal reclaimed water distribution agreement signed by LOTT Board President on 3/9/05 (Lacey 1/13/05, Olympia 10/20/04, Tumwater 1/14/05, Thurston County 12/2/04)
3	As described in the file, the project is eligible for CWSRF/DWSRF financing	X			Reclaimed water pipeline/distribution
4	File documents the anticipated environmental and public health benefits of the project	X			Loan application, Part 2 - groundwater recharge, restoration, streamflow augmentation, wetland enhancement, and higher pollutant removal, diversion of pollutant loadings from Budd Inlet, etc.
5	All technical documents required by the state for the type of project have been submitted (pre-engineering reports, plans & specs, etc.)	X			WW resource management plan (Brown & Caldwell, 1998), construction drawings and specs (2009) on DVD in file.
6	The technical documents were reviewed and approved by the state in accordance with their established procedures	X			Preliminary approval letter of Facility Plan from Ecology on 3/13/09; Plans & Specs approval letter signed by Garin Schrieve (SW Region Supervisor, Ecology) on 9/10/09
7	ARRA: The project and recipient are eligible for ARRA funding (e.g. no zoos, casinos, golf courses, land purchases, etc.)	X			R/vw acquisition on 8/13/09 - email verification form (Dougherty, Ecology 9/18/09) - R/vw was already acquired by LOTT with local non-ARRA funds (Dougherty email confirmation on 3/18/10). Project extends reclaimed water distribution from the Budd Inlet Treatment Plant to numerous locations in Tumwater including Heritage Park, Marathon Park, Tumwater Falls Park, and the edge of a publically-owned golf course. No project work within the golf course or funds utilized for the golf course (Hashim email confirmation)
8	ARRA: All funds are under contract or construction by February 17, 2010	X			ARRA loan agreement: \$2,148,796. DLB Earthwork \$74,691 contract signed by M. Strub (LOTT Alliance) on 4/22/09; Donovan Excavating \$269,107 contract signed by M. Strub (LOTT Alliance) on 11/18/09; ESA Adolfson \$114,078 contract signed by M. Strub (LOTT Alliance) on 1/29/09; Hos Bros Construction \$1,156,277 NTP signed by M. Strub (LOTT Alliance) on 12/2/09 (plus \$15,846 Change Order #1, \$200,000 Change Order #2); Damon Consulting Service \$2000 contract 12/29/09; Parametrix \$238,473 contract signed by M. Strub (LOTT Alliance) on 9/3/08 (plus cost amendment for \$97,500 signed by LOTT Alliance CAO on 10/27/09; Parametrix \$49,214 contract signed by LOTT Alliance CAO on 2/19/10; Cultural Resources Consultants \$25,000 contract signed by LOTT Alliance CAO on 12/18/09; Materials Testing and Consulting \$30,185 contract signed by LOTT Alliance CAO on 12/18/09; Stemen Environmental Inc \$45,000 contract signed by LOTT Alliance CAO on 12/30/09; PSI \$15,299 contract signed by LOTT Alliance CAO on 1/27/10
9	ARRA: For refinance projects, the initial debt was incurred between October 1, 2008 and February 17, 2009			X	
10	ARRA: No construction contracts signed or construction work begun prior to Oct. 1, 2008 on any ARRA-funded portion of the project	X			
1.2	CBR/PBR				
1	Information in the file supports the project data entered in CBR/PBR	X			R10 reviewed - data appears accurate
1.3	Socio-Economic and Other				
1	File includes a completed EPA Form 4700-4	X			Signed by Michael Strub (Executive Director, LOTT Alliance) on 8/13/09
2	Project file includes a certification from the assistance recipient confirming compliance with EEO and Non-Segregated activities	X			Appendix C of bid docs signed certification - Hos Bros Construction on 11/5/09 and Donovan Excavation on 9/28/09

Project File Review Checklist
for Clean Water/Drinking Water State Revolving Fund (SRF)
American Recovery and Reinvestment Act (ARRA) Projects

ARRA Required Program Elements - LOTT Alliance #L1000016					
	Review Item and Question to Answer	Yes	No	N/A	Comments
1.4	State Environmental Review				
1	The project is subject to the State Environmental Review Process (SERP) <i>[N/A for nonpoint source projects]</i>	X			Point source - pipeline project
2	File includes an information document from the assistance recipient that includes the following:	X			1998 WW resource management plan included Supplemental EIS
	a. Discussion of required mitigation measures	X			
	b. Analysis of other sites considered, as appropriate	X			
	c. Analysis of other projects considered, as appropriate	X			2 action plus a no-action alternative
3	File contains a state Environmental Assessment document <i>[N/A for projects receiving a categorical exclusion]</i>	X			1998 Supplemental EIS prepared by Brown & Caldwell; SEPA checklist with SERP documentation prepared by ESA Adolphson on 3/12/09
4	File contains the state's decision memo documenting one of the following:				
	a. Decision to classify the project as a Categorical Exclusion (CE)			X	
	b. Decision to grant a Finding of No Significant Impact (FNSI)		X		Email verification form (Dougherty, Ecology 9/18/09) indicates 3/13/09 approval of SEPA checklist; public notice affidavit indicates Determination of Nonsignificance, but actual DNS from Lott Alliance not included in project file
	c. Decision to require an Environmental Impact Statement (EIS)			X	
5	File includes evidence of public notification of CE/FNSI/EIS in accordance with the SERP	X			Public notice affidavit for Determination of Nonsignificance publication in the Olympian on 3/17/09 and 3/29/09
	a. The comment period was in accordance with state procedures			X	Affidavit did not include copy of public notice, so comment period could not be reviewed
	b. The state addressed all comments appropriately			X	Email verification form (Dougherty, Ecology 9/18/09) indicates "N/A" for NEPA/SEPA comments
6	File contains documentation of compliance with the Endangered Species Act, including state equivalents	X			No Effect letter signed by Hahn Shaw (EPA) on 5/14/09
7	File contains documentation of concurrence from the State Historic Preservation Office	X			No Historical Properties affected letter signed by Robert Whitlam (DAHP) on 8/17/09
8	File contains documentation of compliance with Wild and Scenic Rivers Act	X			SEPA checklist (3/12/09); email verification form (Dougherty, Ecology 9/18/09) indicates approval on 3/13/09
9	File contains documentation of compliance with the Coastal Zone Management Act	X			SEPA checklist (3/12/09); email verification form (Dougherty, Ecology 9/18/09) indicates approval on 3/13/09
10	File contains documentation of compliance with the Coastal Barriers Resources Act <i>[Louisiana and Texas only]</i>			X	
11	File contains documentation of compliance with the Farmland Protection Act	X			SEPA checklist (3/12/09); email verification form (Dougherty, Ecology 9/18/09) indicates approval on 3/13/09
12	File includes documentation assessing the possible location of wetlands in the project area	X			SEPA checklist (3/12/09); email verification form (Dougherty, Ecology 9/18/09) indicates approval on 3/13/09
13	File includes documentation assessing the possible location of floodplains in the project area	X			SEPA checklist (3/12/09); email verification form (Dougherty, Ecology 9/18/09) indicates approval on 3/13/09
14	File includes documentation showing compliance with the Clean Air Act	X			SEPA checklist (3/12/09); email verification form (Dougherty, Ecology 9/18/09) indicates approval on 3/13/09
15	File includes evidence of consultation with the state groundwater program office or EPA Regional Office of Groundwater to identify any EPA-designated sole source aquifers in the vicinity of the project	X			SEPA checklist (3/12/09); email verification form (Dougherty, Ecology 9/18/09) indicates approval on 3/13/09

Project File Review Checklist
for Clean Water/Drinking Water State Revolving Fund (SRF)
American Recovery and Reinvestment Act (ARRA) Projects

ARRA Required Technical Elements - LOTT Alliance #L1000016					
	Review Item and Question to Answer	Yes	No	N/A	Comments
2.1	Green Project Reserve (GPR)				
1	The project description provides sufficient detail to classify the project as eligible for inclusion in the Green Project Reserve	X			Loan application, scope of work - all tasks related to water reclamation
2	File includes a business case (for non-categorical green projects)			X	categorically eligible
2.2	Bid and Procurement				
1	Project file contains RFP/bid documentation		X		Not in project file
	a. Project file includes evidence that the state has reviewed and approved the bid documents			X	Ecology does not approve bid documents
2	Project file includes tabulation of bids	X			Parametrix prepared - Heritage (Donovan) on 10/1/09 and Tumwater (Hos Bros) on 11/5/09
3	Selected bid is included in the file	X			
	a. If other than the lowest bid was selected, an explanation is provided			X	Donovan and Hos Bros were low bidders on respective bids
4	The bid documents include Disadvantaged Business Enterprise (DBE) requirements	X			Enclosure 2 (2002) SBE/MBE/WBE requirements; Appendix A statement included in bid advertisement notice
	a. The bid documents provide DBE forms 6100-2, 6100-3 and 6100-4		X		No evidence of 6100 forms in bid documents
	b. Assistance recipient has submitted semi-annual DBE reports on subcontracting procurements to the state [DBE form 5700-52A or equivalent] [note: these forms may be located elsewhere]	X			Verified with EPA DBE regional coordinator
5	The bid was advertised for the correct length of time as established by state rules	X			Affidavit of Publication for DJC, notice dates 8/26/09, 9/02/09, 9/16/09, and 9/23/09 - bid opening on 9/28/09. Rebid notices on 10/21/09 and 10/26/09 - rebid opening on 11/5/09. Also noticed in other local newspapers/journals
6	The bid documents include Equal Employment Opportunity and Anti-Discrimination provisions	X			Non-discrimination clause in bid notice, non-segregated facilities certification
7	Bid documents or construction contracts prohibit the use of contractors or subcontractors who have been suspended or debarred by the Federal government		X		signed 5700-49; Ecology requires the loan recipient to conduct an EPLS search (but no record in project file)
8	ARRA: Bid documents include Buy American terms and conditions	X			Posted on FTP
9	ARRA: Bid documents include Davis-Bacon requirements	X			Posted on FTP
	a. Bid documents include Federal wage determinations for the project	X			Posted on FTP
	b. For assistance recipients that are non-profit organizations: The state obtained and reviewed wage determinations prior to bid advertisements to ensure compliance with Davis-Bacon requirements			X	Though Lott Alliance is a non-profit agency, it functions as a inter-municipality public utility, thus has the capability to perform typical project management functions, such as preparing/reviewing bid documentation requirements
2.3	Construction Contracts [Note: states are not required to obtain copies of construction contracts]				
1	ARRA: Construction contracts include Buy American terms and conditions		X		Not evident in construction contract
2	ARRA: Construction contracts require the contractor to comply with Davis-Bacon requirements	X			
	a. Contracts include a reference to the Federal wage determination(s) applicable to the contract	X			Section IX of construction contracts (Donovan and Hos Bros) details Sec 1606 D-B compliance
	b. Construction contracts include Davis-Bacon contract provisions from EPA grant terms and conditions		X		
2.4	ARRA Reporting				
1	Project file includes documentation from the assistance recipient indicating compliance with Davis-Bacon for each weekly payroll		X		Written documentation from recipient indicating compliance with Davis-Bacon not found in project file
2	Project file includes quarterly reports on job creation and retention	X			Monthly progress report includes employment numbers and hours
3	For projects covered by a Buy American national waiver, documentation for the waiver is included in the project file			X	not eligible for bid/project waiver
4	For projects that received a project-specific Buy American waiver, documentation for the waiver is included in the project file			X	project waiver not requested

Project File Review Checklist
for Clean Water/Drinking Water State Revolving Fund (SRF)
American Recovery and Reinvestment Act (ARRA) Projects

ARRA Required Technical Elements - LOTT Alliance #L1000016					
	Review Item and Question to Answer	Yes	No	N/A	Comments
5	File includes documentation from the assistance recipient on utilization of the Buy American de minimis waiver	X			sand bag (Lincoln Creek Lumber); 12" elbow multi-fittings (Ferguson WW) - notes on invoices
2.5	Inspection Reports				
1	Project file includes copies of inspection reports prepared by the state or its representative			X	No inspection reports yet in file, too early in project schedule
2	Inspections were performed at intervals in accordance with the state's procedures (e.g., monthly during construction, quarterly, etc.)			X	
3	ARRA: Inspection reports noted issues or concerns regarding compliance with Buy American			X	Various forms of verification, many of which do not provide much detail about the manufacturing process or facility location (city, state), such as WSDOT Certification of Materials Origin forms. EBAA Iron Inc manufacturing statement is an excellent example of an adequate verification document
	a. All issues or concerns were appropriately resolved			X	
4	ARRA: Inspection reports noted issues or concerns regarding eligibility for the Green Project Reserve			X	
	a. All issues or concerns were appropriately resolved			X	
5	ARRA: Inspection reports noted issues or concerns regarding compliance with Davis-Bacon requirements			X	
	a. All issues or concerns were appropriately resolved			X	
6	ARRA: Inspection reports noted issues or concerns regarding information previously reported on jobs created and retained			X	
	a. All issues or concerns were appropriately resolved			X	
7	ARRA: project file includes evidence that the ARRA logo was posted at the project site			X	

Project File Review Checklist
for Clean Water/Drinking Water State Revolving Fund (SRF)
American Recovery and Reinvestment Act (ARRA) Projects

ARRA Required Financial Elements - LOTT Alliance #L1000016					
	Review Item and Question to Answer	Yes	No	N/A	Comments
3.1	Financial Review				
1	CWSRF: File includes documentation that the state conducted a financial capability review			X	The Lott Alliance project is a GPR project - Ecology does not conduct a financial capability review for GPR projects.
2	DWSRF: State conducted a technical, managerial and financial capability review of the recipient			X	
3	Loan agreement includes requirement for the assistance recipient to submit Single Audit Reports, if required	X			Attachment 4 page 1
	a. The assistance recipient is submitting Single Audit Reports [if required]			X	Audit reports are kept on line by the State Auditors office. Latest Audit Report was issued 1 Jun 2009. Too early for ARRA funded project since loan agreement was not signed until 12/17/09.
	b. The state ensured that the assistance recipient resolved any issues identified in the Single Audit Report			X	No significant deficiencies or material weaknesses.
4	ARRA: For projects receiving only partial ARRA funding, the state ensured that the recipient obtained funding to allow for the project to be completed	X			Page 7 Part III
3.2	Loan or Bond Purchase Agreement				
1	The loan or bond purchase document:				
	a. Is signed by the state and assistance recipient	X			Michael D. Strub, Executive Director, 12/14/09; Kelly Susewind, Water Quality Program Manager, 12/17/09
	b. Includes a budget and/or description of eligible costs	X			\$2,148,796
	c. Includes the interest rate	X			2.90%
	d. Includes the fee rate [if applicable]			X	
	e. Includes the repayment period	X			20 years
	f. Requires the assistance recipient to maintain accounting practices in accordance with GAAP	X			Attachment 4 page 1
	g. Prohibits funds from going to contractors or subcontractors who have been suspended or debarred	X			Attachment 4 page 9
	h. Includes an amortization schedule or refers to the date when repayment must begin	X			Attachment 8 2/28/2011
2	The repayment period is in accordance with the state's policies and procedures (up to 20 years or extended term)	X			Attachment 8
3	ARRA: The loan or bond purchase document:				
	a. Includes a provision allowing the state to terminate the agreement if the project fails to proceed in a timeframe consistent with ARRA requirements for all funds to be under contract or construction by February 17, 2010	X			Attachment 4 page 1
	b. Includes the Buy American requirements	X			Attachment 4 page 3
	c. Includes the Davis-Bacon requirements	X			Attachment 4 page 5
	d. Includes the requirement to report jobs created and/or retained	X			Attachment 4 page 2